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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-041305-117

S U P E R I O R C O U R T
Commercial Division

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

HOMBURG INVEST INC., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its registered office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

HOMBURG SHARECO INC., a legal person, duly constituted under the *Companies Act* (Nova Scotia), having its head office at 3700 Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

CHURCHILL ESTATES DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

INVERNESS ESTATES DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

– and –

CP DEVELOPMENT LTD., a legal person, duly constituted under the *Business Corporations Act* (Alberta), having its head office at Unit 127, 6227-2nd Street SE, Calgary, Alberta, T2H 1J5, and having a chief place of business at Suite 1010, 1 Place Alexis Nihon, Montreal, Quebec, H3Z 3B8

Debtors/Petitioners

- and –

THE ENTITIES LISTED IN APPENDIX A

Mis-en-cause

– and –

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
(Pierre Laporte, CA, CIRP, person in charge), having a place of business at 1 Place Ville Marie, Suite 3000, Montreal, Quebec, H3B 4T9

Monitor

SECOND REPORT TO THE COURT
SUBMITTED BY SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
IN ITS CAPACITY AS MONITOR
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. On September 9, 2011, Homburg Invest Inc. ("**HII**"), Homburg Shareco Inc. ("**Shareco**"), Churchill Estates Development Ltd. ("**Churchill**"), Inverness Estates Development Ltd. ("**Inverness**") and CP Development Ltd. ("**CP**") (collectively the "**Debtors**" or the "**Companies**") filed and obtained protection from their creditors under Section 4, 5 and 11 of the *Companies' Creditors Arrangement Act* ("**CCAA**") pursuant to an Order rendered by this Honorable Court (the "**Initial Order**").

2. Pursuant to the Initial Order, a stay of proceedings was granted until October 7, 2011 (the "**First Stay Period Order**") in favor of the Debtors and of the following limited partnerships which form an integral part of the business of the Debtors: Homburg Realty Fund (52) Limited Partnership ("**Partnership (52)**"), Homburg Realty Fund (53) Limited Partnership ("**Partnership (53)**"), Homburg Realty Fund (88) Limited Partnership ("**Partnership (88)**"), Homburg Realty Fund (89) Limited Partnership ("**Partnership (89)**"), Homburg Realty Fund (92) Limited Partnership ("**Partnership(92)**"), Homburg Realty Fund (105) Limited Partnership ("**Partnership (105)**"), Homburg Realty Fund (121) Limited Partnership ("**Partnership (121)**"), Homburg Realty Fund (122) Limited Partnership ("**Partnership (122)**"), Homburg Realty Fund (142) Limited Partnership ("**Partnership (142)**") and Homburg Realty Fund (199) Limited Partnership ("**Partnership (199)**"), (collectively, the "**Applicant Partnerships**") (the Debtors and the Applicant Partnerships shall be collectively referred as the "**Homburg Parties**").

3. Pursuant to the Initial Order, Samson Bélair/Deloitte & Touche Inc. ("**Deloitte**") was appointed as monitor to the Debtors (the "**Monitor**") under the CCAA.

4. On September 19, 2011, the Monitor filed its First Report dated September 19, 2011. The purpose of this First Report was to cover specifically the Cash Flow Statement, in accordance with paragraph 23(1)(b) of the CCAA.

PURPOSE OF THE SECOND REPORT

5. In this second report (the "**Second Report**") of the Monitor, the following will be addressed:

   (i) The Monitor's and its counsel's prior relationship with the Homburg Parties;
   (ii) Corporate structure of HII and its affiliates;
   (iii) Role and control of the General Partner;
   (iv) HII and its affiliates' operations;
   (v) Investigation by the AFM and governance issues;
   (vi) Events immediately preceding the filing;
   (vii) Assets and liabilities of HII and its affiliates
   (viii) Cash flow management for HII and its affiliates;
   (ix) The Homburg Parties' operations since the Initial Order;
   (x) Activities of the Monitor;
   (xi) Extension of the Stay Period; and
   (xii) Monitor's conclusion and recommendation.

TERMS OF REFERENCE

6. In preparing this Second Report, the Monitor has relied upon unaudited financial information, the Homburg Parties' records, the amended Motion for an initial order dated September 9, 2011 (the "**Motion for Initial Order**") and its discussions with the management of the Homburg Parties and their financial and legal advisors. While the Monitor has analyzed the information, some in draft format, submitted in the abridged time available, the Monitor has not performed an audit or otherwise verified such information. Forward looking financial information included in the Second Report is based on assumptions of the Homburg Parties' management regarding future events, and actual results achieved will vary from this information and the variations may be material.

7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Second Report are as defined in the First Report and the Motion for Initial Order.

8. A copy of this Second Report and further reports of the Monitor will be made available on the Monitor's website at www.deloitte.com/ca/homburg-invest. The Monitor has also established a toll free number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the Companies' restructuring or the CCAA.

THE MONITOR'S AND ITS COUNSEL'S PRIOR RELATIONSHIP WITH THE HOMBURG PARTIES

9. Deloitte has provided consulting services to a special committee of the board of directors of HII, the Independent Committee as hereinafter defined and HII in regard to cash management, valuation and financial advisory services over the past year, but has not acted in the capacity of auditor or accountant in respect of HII or any of its affiliates. Deloitte does not consider that these prior services give rise to a conflict of interest nor would these services affect the Monitor's ability to act independently. The Monitor and its counsel are of the view that the prior involvement of Deloitte with the Homburg Parties would not compel a court to disqualify Deloitte from acting in the capacity of monitor of HII and any of its affiliates in the circumstances of this case pursuant to Section 11.7(2) of the CCAA.

10. In May 2011, in the context of the unsolicited non-binding proposal by Richard Homburg relating to a series of related party transactions, and his subsequent unsolicited non-binding proposal to privatize HII (the "**Potential Transactions**"), the board of directors of HII created an independent committee (the "**Independent Committee**") to consider said proposals, in accordance with Regulation 61-101 concerning the protection of minority security holders in certain transactions.

11. The Independent Committee retained McCarthy Tetrault LLP and Clifford Chance LLP, Amsterdam, to act as independent legal advisors. McCarthy Tetrault LLP considers that the prior services provided to the Independent Committee in the context of the Potential Transactions does not give rise to a conflict of interest nor would these services affect McCarthy Tétrault LLP or Clifford Chance LLP's ability to act as counsels to the Monitor. McCarthy Tétrault LLP is of the view that its or Clifford Chance LLP's prior involvement would not compel a court to disqualify them from acting as counsels to the Monitor of HII in the circumstances of the present case.

12. The Homburg Parties' auditors are Ernst & Young LLP.

CORPORATE STRUCTURE OF HII AND ITS AFFILIATES

13. HII is an international real estate investment and development company incorporated under the *Business Corporations Act (Alberta)* and having its registered office in Halifax, Nova Scotia, and its chief place of business in Montreal, Quebec.

14. The Class A Subordinate Voting Shares and the Class B Multiple Voting Shares of HII are listed and posted for trading on the Toronto Stock Exchange ("**TSX**") under the symbols HII.A and HII.B, respectively. The Class A Shares are also listed and admitted to trading on Eurolist by NYSE Euronext under the symbol HII.

15. Richard Homburg is the controlling shareholder of HII and holds, directly and indirectly, approximately 46.2% of the outstanding Class A Shares and Class B Shares, such shares carrying approximately 72.5 % of the total votes attached to such shares. The remaining Class A Shares and Class B Shares are held by investors across Canada, the United States and Europe.

16. On September 20, 2011, the Continued Listing Committee of the TSX determined to delist HII's securities effective at the close of market on September 20, 2011, for failure to meet the continued listing requirements of the TSX.

17. HII owns and develops a diversified portfolio of commercial real estate, including office, retail, industrial, hospitality and development properties throughout Europe (Germany, Baltics and the Netherlands) and the United States. HII also owns land assets for development in Canada.

18. HII, through Partnership (199), owns 16.1% of the units of Canmarc Real Estate Investment Trust (formerly known as Homburg Canada Real Estate Investment Trust) ("**Canmarc REIT**"), which itself owns significant assets in the Province of Québec.

19. Shareco is a wholly-owned subsidiary of HII which was formed for the purpose of raising capital for HII and which is the issuer of the Mortgage Bonds (as defined below).

20. HII is structured as a holding company. The majority of HII's real estate assets are held, directly or indirectly, through limited partnerships (the "**Partnerships**"), the balance being held through corporations (principally in the United States). Each of the Partnerships was formed under the laws of Nova Scotia and is named Homco Realty Fund (#) Limited Partnership (hereinafter each referred to as "**Homco #**" or "**Partnership #**") and has been established to acquire, directly or indirectly, one or more specific real estate assets.

21. HII is the sole limited partner (the "**Limited Partner**") for all the Partnerships.

22. The Limited Partner that provides equity to the Partnerships in return for partnership units; the Limited Partner is entitled to the profits of the Partnerships and, in the event of the liquidation of the Partnerships, to the liquidation proceeds and thus, has the beneficial interest of the properties owned, directly or indirectly, by the Partnerships.

23. The general partner for all of the Partnerships, other than Partnership (199), is Homburg L.P. Management Incorporated (the "**General Partner**" or "**Homburg Management**"), having its head office in Halifax, Nova Scotia. Homburg Management is controlled by Homburg Canada Inc. ("**HCI**"), a company controlled by Richard Homburg.

24. The General Partner is not entitled to the profits of the Partnerships. However, pursuant to the Limited Partnership Agreements, the General Partner has full power and authority to transact the business of the Partnerships and to deal with the assets for the use and benefit of the Partnerships.

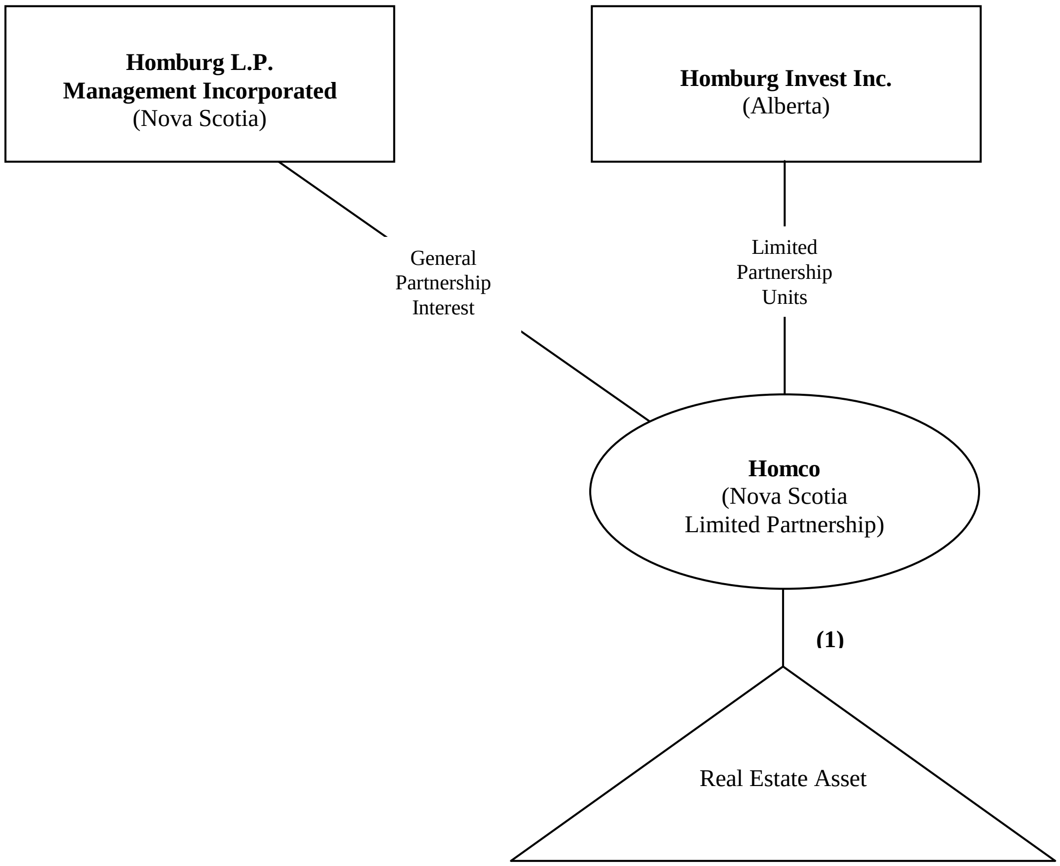
25. Not all of the real estate assets are directly held by the Partnerships: at least nineteen (19) are held in the name of the General Partner or an entity it controls, which, as discussed hereinafter, raises certain issues and concerns as to HII's effective control over said assets.

Corporate Structure in Canada

26. Please refer to Appendix B for a list of properties held in Canada, including details on the property location and the legal registered owner of each property.

27. As shown in Appendix B, six (7) of the Canadian properties are registered in the name of the General Partner on the title to the property, acting on behalf of the Homcos.

28. The typical Partnership structure for real estate assets held in Canada is illustrated by the following diagram:



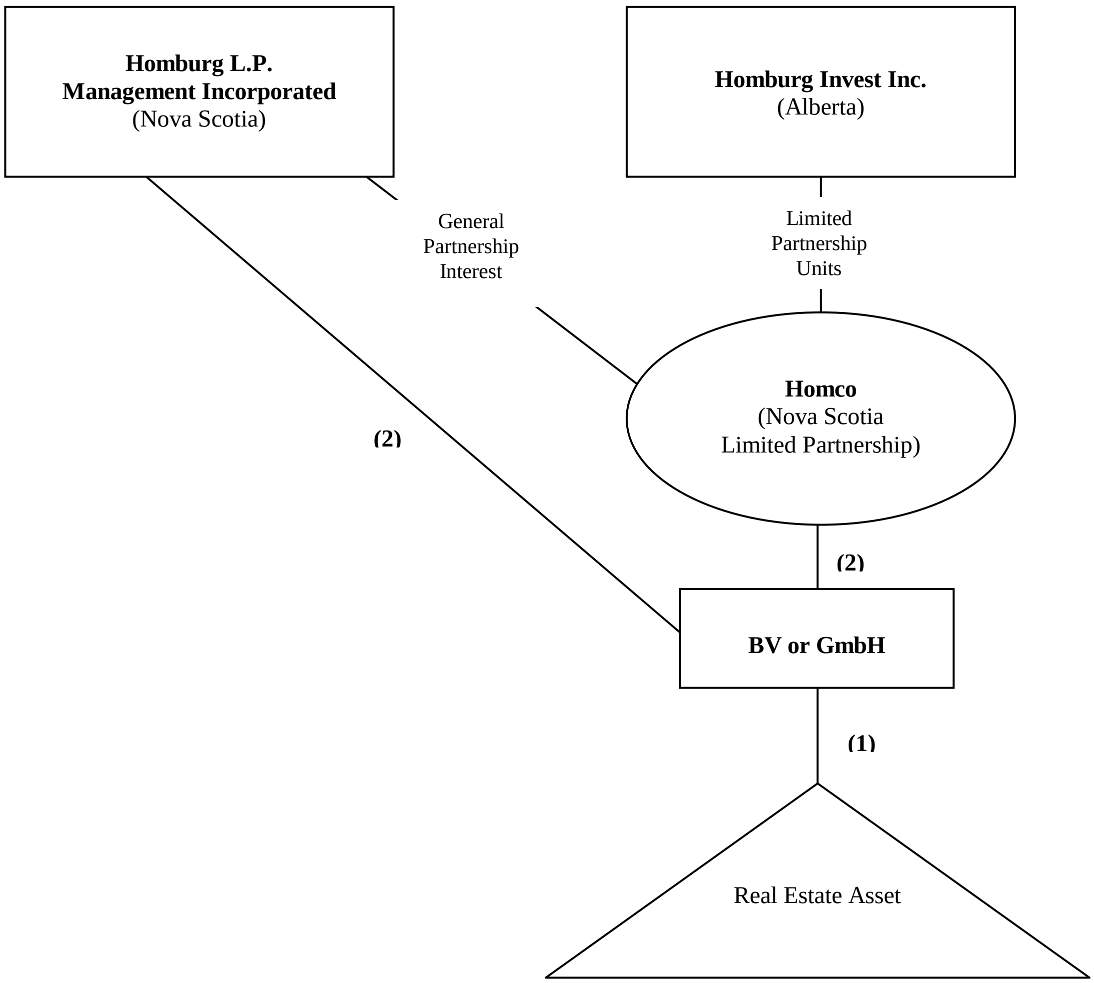
(1) The Limited Partnership Agreements provide that the Homco will be the registered owner of the real estate asset to be acquired by it. Notwithstanding the foregoing, the General Partner is the registered owner of six (7) Canadian real estate assets (for Homcos 52, 83, 88, 94, 105, 121 and 122). Purchase agreements reviewed to date indicate that the General Partner is acting on behalf of the Homco when acquiring these real estate assets. The Monitor is continuing its collection and review of the relevant documents and information to confirm the full title chain to each real estate asset. The Homco appears to be the sole beneficial owner of the real estate asset based on the public disclosure documents of HII and the financial statements of each Homco (which are approved by the General Partner on behalf of each Homco) as well as its accounting records.

Corporate structure in Germany and the Netherlands

29. Please refer to Appendix C for a list of real estate properties held in Germany and the Netherlands including details on the property location and the legal or registered owner of each the property, which information is currently under review.

30. As shown in Appendix C, several real estate properties are not registered in the name of the respective Homcos, but rather through a corporate entity incorporated pursuant to Dutch law (BV) or to German law (GmbH). In some cases (namely Homco 120 GmbH and Homco 142 GmbH), the relevant public registry indicates that Homburg Management is the sole shareholder of such BV or GmbH. However, in the other cases, the Monitor has been so far unable to confirm that Homburg Management is in fact the (sole) shareholder of such BV or GmbH. Furthermore, the Monitor has been advised by Monitor counsel that pursuant to Dutch law, the sole shareholders should be registered in the Chamber of Commerce Registers. If no registration has taken place, this could either mean mandatory registration has been omitted or more than one shareholder exists. This matter requires further investigation, which is ongoing.

31. The typical Partnership structure for real estate assets held indirectly in Germany and the Netherlands is illustrated by the following diagram (the other real estate assets are held directly by the Homcos):



(1) The Limited Partnership Agreements provide that the Homco will be the registered owner of the real estate asset to be acquired by it. The Homco appears to be the sole beneficial owner of the real estate asset based on the public disclosure documents of HII and the financial statements of each Homco (which are approved by the General Partner on behalf of each Homco) as well as its accounting records. Notwithstanding the terms of the Limited Partnership Agreements, the BV or GmbH entities are the registered owner (on title) of thirteen (13) real estate assets (for Homcos 69, 70, 84, 85, 86, 87, 110, 116, 117, 118, 119, 120 and 142). Purchase agreements reviewed to date indicate that the General Partner and/or the BV or GmbH entity is acting on behalf of the Homco when acquiring these real estate assets. The Monitor is continuing its collection and review of the relevant documents and information to confirm the full title chain to each real estate asset.

(2) The Monitor's understanding is that the General Partner is typically the sole or principal shareholder of these entities. The percentages of shareholdings are unknown. The Monitor has not yet been provided with the minute books or share registers of these entities.

Corporate structure in the United States of America

32. Based on HII's public disclosure documents and information provided by HII and its counsel, the Monitor understands that all properties in the United States are held through Homburg Holdings (US) Inc., a wholly-owned subsidiary of HII.

33. Please refer to Appendix D for a list of properties held in the United States including available details on the property location and the legal or registered owner of each property.

Corporate structure in the Baltics

34. Based on HII's public disclosure documents and information provided by HII and its counsel, the Monitor understands that all 53 properties located in Lithuania, Latvia and Estonia are held through wholly-owned partnerships of HII.

35. Please refer to Appendix E for a list of properties held in the Baltics including available details on the property location and the legal or registered owner of each property.

The Homburg Parties

36. The parties referred to as the Homburg Parties under the Initial Order consist of HII and the following:

    i. 9 Partnerships (Homco 52, 53, 88, 89, 92, 105, 121, 122 and 199) structured as described under the sub-heading "Corporate Structure in Canada";

    ii. Homco 142, which is structured as described under the sub-heading "Corporate Structure in Germany and the Netherlands";

    iii. 4 Corporations (Shareco, Churchill, Inverness and CP) wholly-owned by HII.

37. Please refer to Appendix F for a list of the properties held by the Homburg Parties including details on the property location and the legal or registered owner of each property.

ROLE AND CONTROL OF THE GENERAL PARTNER

38. As stated previously, pursuant to the Monitor's review of certain Limited Partnership Agreements, the General Partner has full power and authority to transact the business of the Partnerships and to deal with the assets for the use and benefit of the Partnerships.

39. The Monitor understands from HII and its legal counsel that Homburg Management has been generally unresponsive to HII's requests for information, documents and other records.

40. The Monitor has been informed that HII, in its capacity as Limited Partner, requested from Homburg Management minute books, shareholder registers and other legal information in respect of several BV and GmbH entities controlled by Homburg Management. These foreign entities appear, in public registries in Germany or the Netherlands, as the registered owners of real estate properties of the

Partnerships. The Monitor has been informed that Homburg Management refuses, to this day, to provide HII with the requested information.

41. For instance, prior to the filing, Homburg Management answered to HII's requests by indicating that HII, as the Limited Partner of the Partnerships, could not validly make requests for information and documents since such requests should come from the General Partner.

42. On September 27, 2011, HII's Dutch legal counsel formally requested from Homburg Management, in its capacity as General Partner, updated shareholder registers of all BV and GmbH entities, but has received no response thus far.

43. The Monitor is concerned by HII's apparent lack of control over crucial information to which HII and the Monitor must have access in the context of the CCAA restructuring process.

44. This concern is illustrated by the recent dynamic between HII and Homburg Management in the context of the secondary offering (by way of Bought Deal) by Partnership (199) of units in Canmarc REIT.

45. The Monitor understands that on August 4, 2011, due to the foregoing situation, HII replaced Homburg Management, as general partner of Partnership (199), by HII GP Inc. ("**(199) GP**") in order, namely, to gain control over the units (the "**Units**") held by Partnership (199) in the capital of Canmarc REIT.

46. The Monitor understands that, while recognizing that the Units were owned by Partnership (199) the General Partner is challenging the validity of its replacement by HII as general partner of Partnership (199) and challenged the ability of HII to proceed with the Bought Deal (as defined herein).

47. Ultimately, the Bought Deal was completed on September 13, 2011, as scheduled.

48. The foregoing concern is further illustrated by the situation relating to the ownership structure of the Campeon Complex in Munich, Germany, one of HII's most valuable real estate assets.

49. Campeon Complex is held on title by MoTo Objekt Campeon GmbH & Co. KG of which Valbonne Real Estate 5 B.V. ("**Valbonne 5**") is the limited partner.

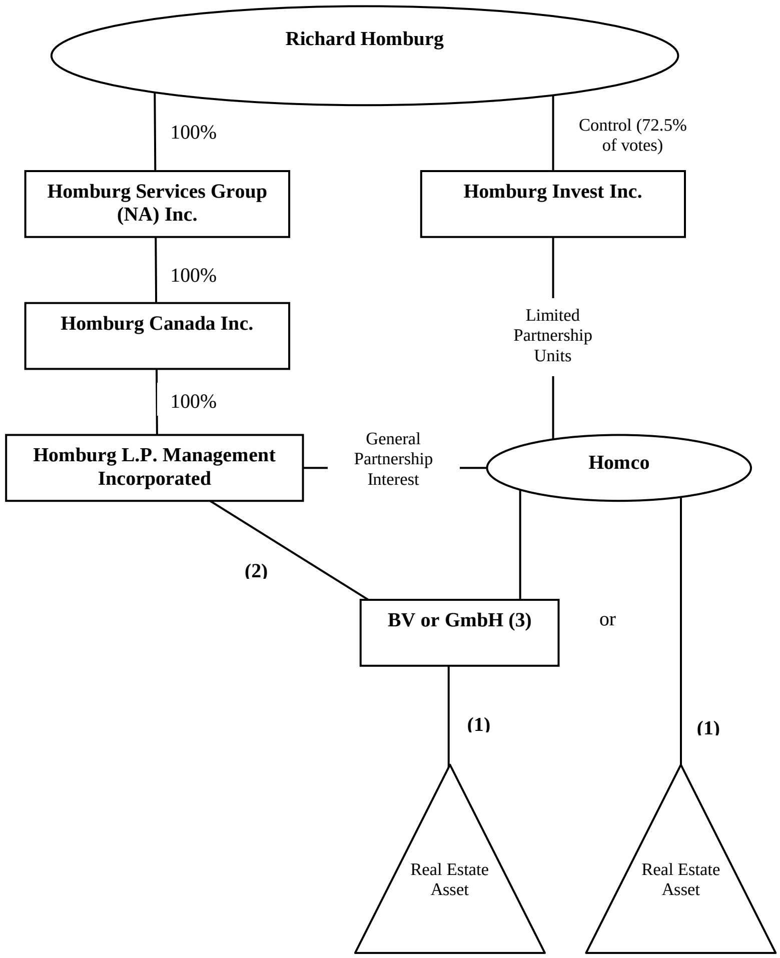
50. The General Partner acquired the issued and outstanding shares of Valbonne 5, acting for and on behalf of Homco 110, in August 2006.

51. Valbonne 5's bank account is with Falcon Private Bank Ltd. in Zurich, Switzerland. The authorized signatories have close relations to Richard Homburg.

52. The Monitor understands that Valbonne 5 and the General Partner, to date have been uncooperative in providing information or relinquishing control over said bank account notwithstanding requests by HII and HII's legal counsel.

53. Hence, it appears that notwithstanding the absence of any vested interest in the underlying assets, the General Partner has complete control over them. The exercise of this control extends to the corporate, legal and other relevant documentation pertaining to the HII group and its assets.

54. Ultimately, and as revealed within the AFM's investigation (see below), Richard Homburg has the control of HII's shares and of Homburg Management as General Partner:



(1) The Limited Partnership Agreements provide that the Homco will be the registered owner of the real estate asset to be acquired by it. The Homco appears to be the sole beneficial owner of the real estate asset based on the public disclosure documents of HII and the financial statements of each Homco (which are approved by the General Partner on behalf of each Homco) as well as its accounting records. Notwithstanding the foregoing, the General Partner is the registered owner of seven (7) Canadian real estate assets (for Homcos 52, 83, 88, 94, 105, 121 and 122). Purchase agreements reviewed so far state that the General Partner is acting on behalf of the Homco when acquiring these real estate assets. The Monitor is continuing its collection and review of the relevant documents and information to confirm the full title chain to each real estate asset.

(2) The General Partner is typically the sole or principal shareholder of these entities. The percentages of shareholdings are unknown. The Monitor has not yet been provided with the minute books or share registers of these entities.

(3) Notwithstanding the terms of the Limited Partnership Agreements, these entities are the registered owner (on title) of thirteen (13) real estate assets (for Homcos 69, 70, 84, 85, 86, 87, 110, 116, 117, 118, 119, 120 and 142). Purchase agreements reviewed so far state that the General Partner and/or the BV or GmbH entity is acting on behalf of the Homco when acquiring these real estate assets. The Monitor is continuing its collection and review of the relevant documents and information to confirm the full title chain to each real estate asset.

55. The control exercised by the General Partner and its impact on HII's restructuring process raises some concerns and is currently being analyzed by the Monitor to evaluate its impact on HII and the Monitor's ability to conduct an efficient restructuring process.

HII AND ITS AFFILIATES' OPERATIONS

Corporate Structure of the Asset and Property Managers

56. HCI is a company incorporated under the laws of the province of Nova Scotia and is indirectly controlled by Richard Homburg.

57. HCI is the sole shareholder of Homburg Management, the General Partner of all the Partnerships.

58. Homburg Services Group (Europe) B.V. ("**HSG**") and Stollburgh Capital B.V. ("**Stollburgh**") are entities constituted pursuant to the laws of Netherlands. The shares of HSG are held by Homburg N.V. The Monitor has yet to determine with clarity who are the shareholders of Homburg N.V. Mr. Richard Homburg owns 50% of the shares of Stollburgh.

Asset and Property Management

59. In May 2009, HII, each Owner (as defined in the Master Agreement) and HCI entered into a master property and asset management agreement (the "**Master Agreement**"). The Master Agreement superseded all previous property management agreements and all previous asset management agreements and related to all properties currently owned by HII.

60. The management services provided to HII by HCI pursuant to the Master Agreement included general property management services, strategic planning, marketing, financial reporting and public disclosure, advisory services, and acquisition and disposal services. Under the Master Agreement, HCI received property and asset management fees, as well as certain additional service fees, in consideration for its services.

61. On May 28, 2009, Homburg Canada assigned its functions under the Master Agreement to HSG and Stollburgh in relation to the properties located in Germany, the Netherlands and the Baltics.

62. On May 28, 2009, HSG, further assigned certain functions to UAB Homburg Valda in relation to the properties located in the Baltics and subsequently thereafter, on February 21, 2011, HSG further assigned certain additional functions to Homburg Real Estate Services B.V. in relation to the properties located in Europe. All shares in Homburg Real Estate B.V. are held by Homburg Services Group (Europe) B.V.

63. On July 29, 2011, HII on its behalf and on behalf of all Owners (as defined in the Master Agreement) provided HCI with a notice terminating the Master Agreement effective immediately, on the basis of alleged gross negligence on the part of HCI.

64. HCI and related entities, including Homburg Management, are contesting the notice of termination claiming that they were not grossly negligent within the meaning of Article X (a) of the Master Agreement and, as such, that a six (6) months written notice of termination should have been provided pursuant to Article X (a)(a) of the Master Agreement and a termination fee should have been paid under Article X (a)(b) of the Master Agreement.

65. On or about August 30, 2011, HCI instituted a legal claim in damages totalling approximately $27M against HII in Nova Scotia in relation to said termination fee. HII is contesting said claim, as it holds the position that no termination fee is payable to HCI, because HCI breached its obligations under the Master Agreement.

66. Following the issuances of the Initial Order, the Monitor sent to the counsels acting for the parties in said proceeding and to the Nova Scotia court a notice of stay of proceedings.

67. As of the date of the Initial Order, HSG and Stollburgh were the Property/Asset Managers of the properties owned by the Partnerships in Germany, the Netherlands ant the Baltics. The legal nature of the above-described assignments made between HCI, HSG and Stollburgh are unclear. However, any uncertainty regarding same was settled by asset and property management agreements entered into by HII after the Initial Order, as will be further explained below.

INVESTIGATION BY THE AFM AND GOVERNANCE ISSUES

68. HII is an investment company which holds a license issued by the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*) (the "**AFM**") which allows HII to issue securities to the public in the Netherlands.

69. On or around November 2009, the AFM and the central bank of the Netherlands, *De Nederlandsche Bank* ("**DNB**") commenced a joint investigation into HII in relation to certain matters.

70. The Monitor had the opportunity to review the correspondence and instruction letters pertaining to such investigation which provide clarity as to the course of events that took place during the months preceding the issuance of the Initial Order, both from a financial and governance standpoint.

71. On November 19, 2009, the AFM submitted a request for information to HII with respect to, namely, the corporate governance structure, the restructuring of HII and the consequences thereof for the shareholders and the bondholders, and its liquidity prognosis.

72. The AFM requested this information from HII in order to determine to what extent HII complied with the appropriate rules of the *Act on Financial Supervision* and the stipulations resulting from its licence requirements.

73. More particularly, this request for information required HII to provide a liquidity prognosis in relation to the substantial debts of HII and the fact that it had to redeem bonds in 2010 and 2011.

74. On December 16, 2009, HII announced a restructuring plan. As a first step of this restructuring, a significant portion of the Canadian real estate portfolio of HII was to be monetized by transferring it to a new entity, Canmarc REIT, which was to become a publicly listed real estate investment trust through an initial public offering in Canada.

75. On April 19, 2010, the AFM imposed an order on HII as a consequence of HII failing to respond to the information request to the AFM's satisfaction.

76. According to the AFM, the financial forecasts provided by HII pursuant to the information request were only understandable in combination with the underlying assumptions and hypothesis which had

not been provided to the AFM. As a result, the AFM considered the financial forecast to be illegible and not interpretable.

77. The AFM was also concerned with respect to the restructuring announced by HII on December 16, 2009, which was presented as a restructuring that purports to increase the value of HII. The AFM concluded that the first step of the restructuring, whereby Canadian real estate was transferred to Canmarc REIT, had not contributed to the realisation of the objectives of the restructuring and the investment policy of HII. In short, the AFM considered that the monetization of Canadian real estate assets through Canmarc REIT had not improved HII's financial position.

78. In light of the foregoing, on November 12, 2010, the AFM and DNB advised HII of their intention to issue a joint instruction to force HII to improve the control of its business operation namely by submitting a plan of control to the AFM that provides insight in the decision making process, the investment policy and the risk management of HII. In its November 12, 2010, letter of intention to issue an instruction, the AFM clearly underlined its concern with respect to the restructuring plan of HII as follows:

> "It is improbable that the operational results of HII will generate sufficient cash flow on a short term in order to settle both redemption of the (current) liabilities and the interest liabilities on a continuing basis. HII can not indicate what alternative scenario will provide sufficient liquidity in order to redeem the Bonds in 2011, should the intended sale of the property development projects not be feasible or provide insufficient liquidity.
>
> In addition to the aforementioned it is further of importance that HII has not been able to provide the AFM with insight in possible alternative strategic plans. Consequently, the AFM has no insight in how HII thinks to overcome problems that will arise if the current perception of the market developments of HII turns out to be wrong. HII has for example not made an estimate of the risks and the consequences of the loss of tenants. The AFM has doubts as to the structural willingness of financers to accept arrears in payments and renew loans.
>
> On the basis of the foregoing, the AFM has serious doubts whether HII can realize its investment strategy in a controlled manner through a restructuring. In that respect the AFM takes into account that HII has not managed to realize its objectives in the first step of the restructuring. Therefore, in the view of the AFM, HII does not have controlled operations with procedures and measures that safeguard that the risks related to the investment process are controlled and analyzed in a systematic manner."
>
> [Unofficial translation.]

79. On December 23, 2010, the AFM and DNB, namely requested additional financial information be provided within 30 days of the end of each quarter.

80. On January 31, 2011, HII provided the AFM with the provisional balance sheet and statement of profit and loss, as agreed.

81. On February 24, 2011, HII issued a press release announcing that it had agreed to sell part of its holding of units of Canmarc REIT in a "Bought Deal" offering.

82. On March 2, 2011, the AFM and DNB advised HII of its surprise and displeasure that HII had agreed to participate in the Bought Deal offering of units of Canmarc REIT without first advising the AFM and requesting additional information.

83. On March 11, 2011, HII responded to the AFM and DNB's concerns, explaining the timing of the offering and the limited opportunities that had been available to advise the AFM.

84. In an intended decision dated March 10, 2011, the AFM indicated that it intended to appoint a "silent monitor" (*stille curator*) in order to supervise the implementation of these instructions. The "silent monitor" is a regulatory measure available under applicable Dutch legislation which may require the board of directors of an investment company holding a license to cooperate with the "silent monitor", to have all decisions approved by the "silent monitor" and, even, to follow the "silent monitor's" instructions.

85. On March 22, 2011, Richard Homburg announced his resignation as Chairman of the board, Chief Executive Officer and Director of HII. Jan Schöningh, formerly President of North American operations of HII, was appointed as President and Chief Executive Officer of HII.

86. On March 24, 2011, HII filed a plan of control with the AFM and DNB.

87. On March 31, HII filed financial statements and MD&A with the AFM.

88. On April 4, 2011, HII filed an updated cash flow forecast with the AFM and DNB.

89. On April 22, 2011, as a result of these investigations and following the exchange of numerous correspondence between the AFM, DNB and HII:

    i. the AFM and DNB issued a joint instruction indicating that, in their opinion, HII had not organized its operations in such a way as to safeguard controlled and sound business operations and ordering, among other things, that HII submit a control plan which provides insight into the decision making process, the investment policy and the risk control of HII; and

    ii. the AFM issued an instruction providing a line of conduct which entailed, among other things, that HII take the appropriate actions to ensure that Richard Homburg no longer has any substantial influence with respect to the policy and decision making of HII.

90. On April 29, 2011, the AFM issued an order subject to a penalty to force HII to provide the information requested by the AFM in its earlier information request.

91. On May 11, 2011, HII received an unsolicited non-binding proposal from Richard Homburg and HCI relating to a series of related party transactions, including the collapsing of Richard Homburg's multiple voting shares and the internalization of management.

92. On May 16, 2011, in accordance with Regulation 61-101 concerning the protection of minority security holders in certain transactions, HII announced that it had created the Independent Committee to consider said proposal.

93. On June 7, 2011, HII received an unsolicited non-binding proposal from Richard Homburg to privatize HII which followed his revocation of the May 11, 2011 proposal.

94. On July 6, 2011 Richard Homburg and Homburg Finance AG signed a power of attorney (the "**Power of Attorney**") appointing the President of HII, and failing his ability to act, the Chief Financial Officer of HII, as their attorney to vote on the election or removal of directors of HII.

95. On July 25, 2011, HII announced that its board of directors had unanimously determined that the unsolicited non-binding privatization proposal received from Richard Homburg was not in the best interests of HII.

96. On July 28, 2011, HCI terminated the employment agreement of certain key employees, including HII's President and Chief Executive Officer and Chief Financial Officer, cutting off their access to emails and records of HCI, which access was necessary to carry out their duties as managers of HII's affairs.

97. On July 29, 2011, HII terminated the Master Agreement entered into with HCI, thereby terminating HCI's role as the manager of all of HII's properties; subsequently, HII hired the individuals HCI had terminated the day before.

98. On that same date, HCI announced its intention to launch a takeover bid to privatize HII.

99. On August 1, 2011, Richard Homburg and Homburg Finance AG requested an amendment of the Power of Attorney executed on July 6, 2011, to change the designation of the attorney.

100. On August 3, 2011, Richard Homburg and Homburg Finance AG sent a letter to HII purported to revoke the Power of Attorney, but subsequently withdrew that correspondence and stated they would allow the Power of Attorney to remain in place.

101. On August 11, 2011, the AFM issued a letter (the "**Letter of Intention**") indicating its intention to revoke HII's license (the "**Intended Decision**"), for the following summarized reasons:

    i. Richard Homburg still has a substantial influence on HII and can be seen as a co-policymaker of HII;

    ii. Richard Homburg's integrity is no longer beyond doubt because of several fiscal antecedents and 2 supervision antecedents;

    iii. HII provided information to the AFM which was considered incomplete and incorrect by the latter, and thus did not enable the AFM to supervise in a sufficient way;

    iv. The financial situation of HII is not good, especially considering the fact that various bonds must be redeemed by HII by the end of 2011; and

v. HII has not organized its operations in such a way as to safeguard controlled and sound business operations and, according to the AFM, has not complied in a timely and complete manner with the April 22, 2011 instruction requesting the submission of a control plan.

102. On August 26, 2011, HCI announced that it would not follow through with its intention to make a takeover bid. HCI’s stated reasons not to follow through with said take-over bid include: HII's announcement published on August 24, 2011 that HII has agreed to sell 3,000,000 units of Canmarc REIT at a discount to the market trading price; HII's recently published disappointing second quarter results; the increased volatility in the capital markets in North America and Europe since July 29, 2011; and HII's announcement published on August 24, 2011 that HII has received a letter from the AFM indicating its intention to revoke HII's licence as an investment company in the Netherlands.

103. HII was ultimately given until September 15, 2011 to answer to the Letter of Intention and to submit its views on the Intended Decision.

104. The Monitor is concerned with the prospect that the AFM may render its Intended Decision notwithstanding the issuance of the Initial Order, as it is the Monitor’s view that such revocation may reduce the options available to HII in the context of its restructuring.

EVENTS IMMEDIATELY PRECEDING THE FILING

105. The Homburg Parties’ first and second largest groups of creditors are composed of holders of corporate non-asset backed bonds (the “**Corporate Bonds**”), and mortgage bonds (the “**Mortgage Bonds**”), for a total value of $579,6M (collectively the “**Bonds**”).

106. The Bonds were issued by HII pursuant to the terms of two trust indentures (the “**Trust Indentures**”), entered into between HII and, respectively, Stichting Homburg Bonds and Stichting Homburg Mortgage Bonds (which according to representations made to the Monitor’s counsel by the Trustees’ counsel, would have changed its name to Stichting Homburg Bonds). The foregoing entities and Stichting Capital Securities (which is the trustee under the trust indenture pursuant to which Capital Securities A debentures were issued) are hereinafter collectively referred to as the “**Trustees**”.

107. Since August 24, 2011, the sole director of the Trustees is Mr. Henk Knuvers.

108. On September 8, 2011, Richard Homburg and related entities entered into a heads of agreement with the Trustees (the “**Heads of Agreement**”).

109. The Heads of Agreement provides, *inter alia*, for the transfer of HCI’s shares in the General Partner, and of Richard Homburg’s indirect interest in Homburg Finance AG, to two foundations to be formed under Dutch law.

110. The Heads of Agreement provides that the boards of both of these foundations shall be composed of Henk Knuvers and at least another director nominated by Mr. Henk Knuvers and at least another director to be named by Henk Knuvers.

111. The Monitor understands that, if and when implemented, the Heads of Agreement will ultimately transfer Richard Homburg's controlling interest in the General Partner, Homburg Management, to the newly created foundations, hence enabling the Trustees to wield the powers of the General Partner over the Partnerships.

112. The transactions contemplated by the Heads of Agreement are subject to a number of conditions, including the consent of the AFM.

113. The Monitor is aware that the consent of the AFM was not obtained (as elaborated hereunder) and ignores whether the other conditions have been met, whether the foundations were incorporated, and whether the transactions contemplated by the Heads of Agreement have been either partially or entirely implemented, thus ignoring the status of the transactions contemplated by the Heads of Agreement.

114. On September 9, 2011, Richard Homburg announced together with Homburg Finance AG, a Swiss corporation indirectly controlled by him, that they jointly entered into a voting power of attorney and standstill agreement with the Trustees, thereby authorizing them to exercise the voting rights in the shares of HII held by Richard Homburg and Homburg Finance AG.

115. The effect of the power of attorney granted to the Trustees on the exercise of the votes by HII's management pursuant to the Power of Attorney previously granted by Mr. Homburg at the September 9, 2011 shareholders' meeting, is currently subject to ongoing litigation.

116. The Monitor is reviewing this matter and seeking meetings with all the parties involved to have a better understanding of the foregoing situation and of any impact it may have on the CCAA restructuring process. It is obvious to the Monitor that clarity needs to be brought as to the control of the affairs and assets of HII in order to ensure that the restructuring process can be properly and efficiently conducted.

ASSETS AND LIABILITIES OF HII AND ITS AFFILIATES

117. HII and its affiliates owned 125 properties as at June 30, 2011 (office, retail, industrial and residential) in the following locations: Canada, United States, the Netherlands, Germany and the Baltic States. The following table illustrates the property allocation based on geography and type. It also gives the total gross square footage.

Homburg Invest Inc. Property allocation As at June 30, 2011	Buildings	Fair Value (C$000)	Gross Sq. Ft. ('000 000)
By geographical segment			
Germany	16	785,300	2.5
The Netherlands	32	451,400	3.7
Baltic States	53	229,200	1.0
North America	11	21,300	0.3
	112	**1,487,200**	**7.5**
By property type			
Office	77	1,165,100	5.1
Retail	7	113,000	0.3
Industrial	28	209,100	2.1
	112	**1,487,200**	**7.5**
Land and property held for future development	6	108,200	
Construction properties being developed for resale	4	32,700	
Investment properties under construction	3	94,500	-
	125	**1,722,600**	**7.5**

Source: Homburg Invest Inc. interim MD&A
Amounts exclude assets available for sale

118. As illustrated above, the majority of the assets of the HII group are in Europe and relate to mainly office and industrial space.

119. On a consolidated basis, the main assets of HII relate to investment properties (income producing), investment properties under development, investment in an associate (REIT units) and assets classified as held for sale. The following table presents in more detail the assets and liabilities of HII and its affiliates at specific date in time:

HII and its affiliates Consolidated Balance Sheets (C$000)	June 30, 2011 Unaudited	June 30, 2010 Unaudited	December 31, 2009 Audited	December 31, 2008 Audited
Assets				
Current assets				
Cash and cash equivalent	10,149	18,351	32,569	16,359
Properties under development for resale	32,722	64,238	73,957	194,638
Receivables and others	33,999	48,614	49,639	65,390
	76,870	131,203	156,165	276,387
Assets classified as held for sale	135,996	33,279	72,957	-
	212,866	164,482	229,122	276,387
Long-term assets				
Restricted cash	17,868	16,842	23,159	25,969
Deferred tax assets	7,010	14,076	26,715	-
Currency guarantee receivable	-	-	-	23,594
Investment properties under development	202,627	248,966	245,896	224,285
Investment, at fair market value	9,324	8,044	27,942	40,086
Investment in an associate, at equity	151,650	212,762	-	-
Investment properties	1,487,245	1,527,337	2,739,415	3,549,744
	1,875,724	2,028,027	3,063,127	3,863,678
Total assets	**2,088,590**	**2,192,509**	**3,292,249**	**4,140,065**
Liabilities				
Current liabilities				
Accounts payable & other liablities	103,715	62,219	195,891	255,585
Income taxes payable	9,674	12,620	13,760	5,739
Construction financing	32,837	99,763	94,999	102,433
Liabilities for discontinued operations	-	-	-	28,903
Currrent portion of long term debt	372,887	233,233	624,284	50,776
Provisions	12,956	19,810	16,965	-
	532,069	427,645	945,899	443,436
Liabilities associated with assets classified as held for sale	86,606	24,754	43,358	-
	618,675	452,399	989,257	443,436
Long term liabilities				
Provisions	10,388	16,341	17,124	-
Other liabilities	10,960	11,069	12,838	17,886
Deferred tax liabilities	41,290	-	31,474	147,069
Derivative financial instruments	19,387	26,730	24,045	19,427
Long term debt	1,330,702	1,560,419	2,017,440	2,901,348
	1,412,727	1,614,559	2,102,921	3,085,730
Total liabilities	**2,031,402**	**2,066,958**	**3,092,178**	**3,529,166**
Total equity	**57,188**	**125,551**	**200,071**	**610,899**
Total liabilities and equity	**2,088,590**	**2,192,509**	**3,292,249**	**4,140,065**

Source: Homburg Invest Inc. interim financial statements Q2, 2010, 2011 (unaudited) and audited financial statements for 2010 and 2011

Ratios	June 30, 2011	June 30, 2010	December 31, 2009	December 31, 2008
Total liabilities-to-total equity	35.52	16.46	15.46	5.78

120. As illustrated in the foregoing, HII and its affiliates' principal assets are investment properties, investment properties under development, investment in an associate (the Canmarc REIT units) and other assets held for sale. For most of the assets, HII itself does not have, in most of the case, actual

title to the assets but has investments either in subsidiaries that owns the assets or in the Partnerships which have either the title to the assets or the beneficial ownership of said assets.

121. As further elaborated in the section entitled “Role and Control of the General Partner” above, the majority of the real estate assets are held through the Partnerships. In all cases, HII is the sole limited partner of the Partnerships. For each of the Partnerships, there is a general partner that holds the registered title to the assets or has some level of control over said assets. In most cases, the General Partner is controlled by Richard Homburg. The Monitor’s counsel has so far identified that the General Partner is the holder of title (directly or through entities it apparently controls) for 19 properties.

122. The fact that HII, as Limited Partner, does not have full control over the assets is a concern for the Monitor which, in its view, if not corrected, could have an impact on HII and its affiliates’ ability to fix the capital structure and restructure their operations.

123. As at June 30, 2011, investment properties of approximately $1,487M include 112 properties (office, retail and industrial).

124. Investment properties under development of approximately $203M (9 properties) dollars includes various parcels of land held for future developments in the Calgary region which are intended for hospitality and commercial properties and a four story building in Montreal, Quebec. It also included properties under construction, which consist of a parcel of land in Calgary, Alberta that is being developed into a four building office campus, a parcel of land in Charlottetown, Prince Edward Island that is being developed into a hotel and a 440 unit condominium complex in Calgary, Alberta.

125. Investment in an associate of approximately $152M represents the 23.10% equity investment in Canmarc REIT as of the end of Q2 2011. Please be advised that this investment is now down to 16.1%, since Partnership (199) sold some units, as further described in the section related to the Bought Deal in this Second Report. The current value of the Canmarc REIT units is approximately $105M. Some of the units have been pledge to guarantee some obligations of HII as explained later in the report.

126. The assets classified as held for sale of approximately $136M (10 properties) include investment properties in Canada and in the United States.

127. The properties under development for resale included in the current assets of approximately $33M (4 properties) consist of condominium units located in Calgary, Alberta, condominium units located in Grande Prairie, Alberta and condominium units located in Charlottetown, Prince Edward Island.

128. As of June 30, 2011, the investment properties represent approximately 80% of the overall investment of HII and its affiliates. These investments have been essentially financed by typical mortgages as well as with corporate bonds, mortgage bonds and junior subordinated notes.

Creditors of HII and its affiliates

Homburg Invest Inc. Consolidated listing of creditors (Unaudited - Prepared by Management) (C$000)	June 30, 2011	Secured	Unsecured	% of total creditors
Accounts payable	103,715	-	103,715	5.41%
Other liabilities	10,960	-	10,960	0.57%
Derivative financial instruments	19,387	-	19,387	1.01%
Income taxes payable	9,674	-	9,674	0.50%
Construction financing	32,837	32,837	-	1.71%
Provisions	23,344	-	23,344	1.22%
Mortgages	1,081,678	1,081,678	-	56.46%
Mortgage bonds	143,994	143,994	-	7.52%
Corporate non asset-backed bonds	435,609	-	435,609	22.74%
Junior subordinated notes	54,658	-	54,658	2.85%
Total creditors	**1,915,856**	**1,258,509**	**657,347**	**100%**
Other potential liabilities				
Headlease obligation	233,500	7,620	225,880	
HCI claim	30,000	-	30,000	
REIT liability	116,000	100,000	16,000	
Baltic swap	2,916	-	2,916	
Total potentail liabilities	382,416	107,620	274,796	
Total	**2,298,272**	**1,366,129**	**932,143**	

Note: Some liabilities are not considered as creditors and were not included in this table.

129. The accounts payable are mostly composed of trade payables for $77M, non-construction demand loans for $11.3M prepaid rents and deposits for $1.5M, related payables for $4.5M as well as other payables. More specifically, the non-construction demand loan includes the amount of HII's obligation payable to a related party, relating to investment in Homburg Eastern Fund ("**HEEF**"), an entity in the Netherlands, as stated in the First Report.

130. The investment has not been fully paid by HII. Based on the preliminary information provided to the Monitor, it appears that an amount of approximately €4.5M would be required to fulfill HII's obligations in this regard and to maintain HII's investment in HEEF. The Monitor has requested information from HII regarding the investment and the amount owed to HEEF and has been advised that its request is being processed internally by HII. As of the present date, the Monitor is still awaiting said information and will report on it as soon as the information becomes available. This potential disbursement is currently not considered in the cash flow statement of HII.

131. The majority of the mortgage liabilities is owned by the Partnerships' or, as the case may be, the subsidiaries of HII, having title to the properties and such mortgage liabilities are secured by the related properties. The mortgages are considered long term debt at both fixed and variable interest rates. Most of these mortgages have not been guaranteed by HII. Mortgages principal maturities include loans of $38.6M which were in default of their lending covenants as at June 30, 2011. Consequently, these mortgages in default are considered due in 2011.

132. The Mortgage Bonds are seven-year bonds issued in series and secured by a first and second charge over specific assets and corporate guarantee. Please refer to Appendix J.

133. The Corporate Bonds are seven-year bonds issued in series and have a corporate guarantee pledged as collateral. Please refer to Appendix J for details.

134. The Junior Subordinated Notes are detailed in Appendix J, the interest coverage and net worth ratios were in default as at June 30, 2011.

135. The table presented above does not include the Capital Securities A debentures which have been classified as equity in the audited consolidated financial statements. The Monitor is currently analyzing the rights of the debenture holders and the obligations of HII under these securities.

Other potential liabilities

136. Head lease obligations consist of the difference between the head lease obligations already included in the balance sheet and the potential head lease liability which may occur in the event that the current sub-tenants decide not to renew or attempt to cancel their sublease with the HII.

137. As stated in the First Report, the Baltic division of HII (the "**Baltics**"), which operates through Homburg Baltic LP Inc., a wholly owned subsidiary of HII, is facing a potential claim of €2.2M relating to an interest swap contract. The Monitor has requested information from HII to determine the validity of such a claim, and has been advised that its request is being processed internally by HII. As of the present date, the Monitor is still awaiting said information and will report on it as soon as this information becomes available. This potential disbursement is currently not considered in the cash flow statement of HII.

138. As indicated earlier in this Second Report, HII terminated the management agreement with HCI on July 29, 2011. HCI has filed a claim against HII for approximately $30M.

139. Canmarc REIT's liability consists of a guarantee given by HII under the purchase agreement, whereby HII's property portfolio was transferred to Canmarc REIT, under which both HII and Partnership (199) have agreed to indemnify Master LP for all representations and warranties set out up to a maximum amount of $116M.

Balance Sheet of each Homburg Parties

140. The following is a summary of the assets and liabilities for each of the Homburg Parties as of June 30, 2011:

Homburg Parties As at June 30, 2011 (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities	Other potential liabilities	Total including potential liabilities
Petitioners								
Homburg Invest Inc.	440,539	157,557	598,096	583,631	-	583,631	382,416	966,047
Homburg ShareCo Inc.	59	140,902	140,961	144,031	-	144,031	-	144,031
Churchill Estates Development Ltd.	14,421	-	14,421	8,160	18,037	26,197	-	26,197
Inverness Estates Development Ltd.	9,730	-	9,730	3,514	14,092	17,606	-	17,606
CP Development Limited	42,772	-	42,772	18,947	65,957	84,904	-	84,904
Total Petitionners	**507,521**	**298,459**	**805,980**	**758,283**	**98,086**	**856,369**	**382,416**	**1,238,785**
Mis-en-cause								-
Homco Realty Fund (52) Limited Partnership	9,048	18,047	27,095	-	25,045	25,045	-	25,045
Homco Realty Fund (53) Limited Partnership	-	-	-	-	-	-	-	-
Homco Realty Fund (88) Limited Partnership	59,727	-	59,727	8,845	78,970	87,815	-	87,815
Homco Realty Fund (89) Limited Partnership	-	-	-	-	-	-	-	-
Homco Realty Fund (92) Limited Partnership	10,861	1,896	12,757	11,753	-	11,753	-	11,753
Homco Realty Fund (105) Limited Parntership	8,825	-	8,825	4,772	11,189	15,961	-	15,961
Homco Realty Fund (121) Limited Partnership	16,650	-	16,650	6,575	20,166	26,741	-	26,741
Homco Realty Fund (122) Limited Partnership	9,724	-	9,724	6,340	3,658	9,998	-	9,998
Homco Realty Fund (142) Limited Partnership	31,580	-	31,580	28,264	8,575	36,839	-	36,839
Homco Realty Fund (199) Limited Partnership	151,650	156,924	308,574	-	214,115	214,115	-	214,115
Total Mis-en-cause	**298,065**	**176,867**	**474,932**	**66,549**	**361,718**	**428,267**	**-**	**428,267**
Total	**805,586**	**475,326**	**1,280,912**	**824,832**	**459,804**	**1,284,636**	**382,416**	**1,667,052**

Source: Homburg Invest Inc. interim financial statements Q2, 2011

141. For more detailed information regarding the assets and liabilities of each of the Homburg Parties, please refer to Appendix G.

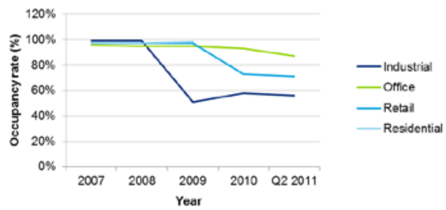
HII and its affiliates' insolvency situation

142. The information management provided to the Monitor demonstrates that HII and its affiliates interest coverage ratio decreases on a yearly basis, which appears to be explained by losses mainly caused by a decrease in the occupancy rates as indicated in the table below. As of June 30, 2011, the interest coverage ratio set out in the junior subordinated note indentures was in default.

143. As shown in the tables above and the following graph, HII and its affiliates, historical results demonstrate:

i. A significant decrease in global occupancy rates, which results necessarily in reductions of revenue and liquidity;

Occupancy rates by property type as at December 31, 2007 to 2010, and Q2, 2011



Source: Homburg Invest Inc. MD&A and quarterly unaudited financial information

ii. HII and its affiliates, consolidated historical balance sheet demonstrates for the last four years a deterioration of the debt to equity ratio from 5.78 as of December 31, 2008 to 35.52 as of June 30, 2011. Consequently, the financial condition of HII and its affiliates continues to deteriorate year after year.

iii. HII and its affiliates' equity has significantly deteriorated from approximately $611M as at December 31, 2008 to approximately $57M as at June 30, 2011. This significant deterioration is mainly explained by the decrease in the fair market value of the investment properties and the losses incurred by the operations.

iv. Finally, HII and its affiliates are facing a significant liquidity crisis. They obviously will not be able to meet their financial obligations as they become due without selling valuable assets and accordingly decreasing the value of the business and future chances for a successful restructuring.

CASH FLOW MANAGEMENT FOR HII AND ITS AFFILIATES

144. HII operates in the following geographic regions: Canada, the United States of America, Germany, the Netherlands, and the Baltics. In general, HII's staff located at HII's back office at 32 Akerley Boulevard, Dartmouth, Nova Scotia, Canada (the "Akerley Office"), manages the majority of HII's bank accounts that pertain to Canada. For properties located in Germany or the Netherlands, the bank accounts are managed primarily by the Akerley Office, and/or the Soest Office, Beckeringhstraat 36, Soest, the Netherlands. CommerzReal AG, manages the bank accounts for entities controlled by Homco (110), which controls the assets in Munich. The bank accounts of the properties located in the United States of America are managed by Cedar Shopping Centres Inc. or Homburg Realty Services (US) Inc. The bank accounts in the Baltics are managed by Homburg Valda .

145. Further to the issuance of the Initial Order, the Monitor investigated the internal cash management processes of the Homburg Parties to determine receipts and disbursements.

146. The Homburg Parties transact through sixteen (16) different bank accounts (the "**Homburg Parties' Bank Accounts**"). Management has indicated that ten (10) of the sixteen (16) accounts are effectively inactive as they were used, amongst other things, to account for development stage expenditures at certain properties that are now completed, and to effect certain transactions in respect of bondholders that have now ceased as a result of the Stay Period, such as the issuance of interest payments and collection of proceeds from the issuance of asset-backed mortgage bonds.

147. The remaining active bank accounts are as follows:

(i) Homburg Invest Inc., CAD (the "**HII Account**");
(ii) Homburg Invest Inc. (European), EUR (the "**HII Euro Account**");
(iii) Homco 86-87, EUR (the "**European Homco Account**");
(iv) Homburg Invest Inc. (Canadian), EUR (the "**Canadian HII Euro Account**");
(v) Holman Grand Hotel, CAD (the "**Holman Account**"); and,
(vi) The BMO Account, CAD.

The HII Account

148. The HII Account is the main corporate bank account and the primary account for the activities of the Canadian Homburg Parties, as well as other Canadian HII related entities not covered by the Initial Order.

149. Accordingly, all banking activities for these entities take place on a consolidated basis as said entities do not have an individual operational bank account and therefore transact through the HII Account. As a result, there are both receipts and disbursements that flow through the HII Account some of which do not relate to the Homburg Parties.

150. In order for management to keep track of each of the entities' sources and uses in this account, it records the related receipts and disbursements in the accounting system of each of the respective entity.

The HII Euro Account

151. The HII Euro Account is the primary operating account for the rental income receipts and related disbursements in EUR denominated funds of the other European HII-related entities not covered by the Initial Order, as well as Partnership (92) and Partnership (142) of the Homburg Parties who transact through this account. Consequently, there are both receipts and disbursements that flow through the HII Euro Account that do, and do not, pertain to the Homburg Parties. Please note that entities controlled by Homco (110) have a separate bank account that is controlled by CommerzReal AG and therefore does not transact through the HII accounts.

152. As with the HII Account, in order for management to keep track of each of the entities' cash inflows and ouflows in this account it records the related receipts and disbursements in the accounting system of each of the respective entities.

153. Since September 9, 2011, and because a significant number of automatic payments are regularly made from this account, management has decided to clear, on a regular basis, the majority of receipts received in this account to the European Homco Account. By doing so, management can prevent unauthorized automatic withdrawals from being made as there is no overdraft facility for this account and there will be insufficient funds should an automatic withdrawal be attempted. Management is currently analyzing all the HII related entities in order to determine which entities have positive cash flows/equity.

The European Homco Account

154. The European Homco Account is the recipient of funds that are cleared from the HII Euro Account. Funds are held in this account until payments are transferred in the HII Euro account for payment processing. As with the HII Account and the HII European Account, in order for management to keep track of each of the entities' cash inflows and outflows in this account, it records the related receipts and disbursements in the accounting system of each of the respective entities.

The Canadian HII Euro Account

155. The Canadian HII Euro Account is used by management to exchange funds from the HII Account denominated in CAD to EUR, and to issue payments denominated in EUR when necessary to supplement the HII Euro Account and the European Homco Account as these accounts do not have overdraft facilities.

The Holman Account

156. The Holman Account was created to act as the operating account for the Holman Grand Hotel located in Charlottetown, PEI. During management's review of the Holman Account movements, it was noted that only disbursements were being made from this account. Please refer to the section entitled, "The BMO Account" below for additional information pertaining to receipts generated by the Holman Hotel.

The BMO Account

157. As noted above, only disbursements were being made from the Holman Account. Cash receipts before and after the date of the Initial Order, from the Holman Grand Hotel were being deposited, to an account controlled by Richburg Inc. (the "**Richburg Account**") which is a company related to Mr. Richard Homburg. Management has estimated that the total sums received in the Richburg Account are approximately $215K. Management is currently in the process of requesting these sums from Richburg Inc.

158. As a result, a new bank account will be opened at the Bank of Montreal (the "**BMO Holman Account**") during the week of October 3, 2011, and all cash receipts from the Holman Hotel will be deposited into the BMO Holman Account. All electronic sales will be deposited to the BMO Holman Account**.**

THE HOMBURG PARTIES' OPERATIONS SINCE THE INITIAL ORDER

Highlights of the Petitioners' cash flows since the date of filing

159. The purpose of this section is as follows:

   i. Provide budget-to-actual highlights by Petitioner for the period of September 9, 2011 to September 24, 2011; and,

   ii. Provide commentary on the variances by Petitioner.

Overview

160. The following table provides an overview of the opening balances as presented in Exhibit 15 of the Initial Order and ending actual cash balances, and variation in cash balance for the period September 9, 2011 to September 24, 2011:

Entity ($C000)	Opening cash balance	Variation in cash balance	Ending cash balance
HII	(14,806)	202	(14,604)
ShareCo	-	-	-
Churchill	(648)	-	(648)
Inverness	(632)	-	(632)
CP	(30)	138	108
TOTAL	**(16,116)**	**340**	**(15,776)**

161. For the budget-to-actual cash flow forecast analyses of HII, ShareCo, Churchill, Inverness, and CP for the period September 9, 2011 to September 24, 2011, and commentary in respect of the analysis performed, please refer to Appendix H.

162. As of the date of this report, all appropriate and approved post-filing expenses were paid, and will continue to be paid, in the normal course out of the respective entities working capital.

163. Each Petitioner continues to anticipate more restrictive payment terms from suppliers following the announcement of the CCAA proceedings. As such, cash payments deposits may be required.

164. The initial cash flow statements of each Petitioner have been updated based on actual results for the period September 9, 2011 to September 24, 2011, and information provided by and discussed with management.

<u>HII</u>

165. Total cash inflows for HII were $2,312K for the period noted, while total cash outflows were $2,110K, which resulted in a positive net cash variation of $202K compared to a budgeted net cash variation of $31M.

166. The following significant transactions, excluding the normal receipts and disbursements arising from operations, have occurred subsequent to the last day of the budget to actual analysis, such between September, 25, 2011 and October 2, 2011:

    i. Receipt of $5M pertaining to a portion of the proceeds from the Bought Deal; and,

    ii. Receipt of $103K pertaining to the Canmarc REIT unit distributions.

<u>Shareco</u>

167. As noted in the First Report, this entity does not have any assets, except for an intercompany receivable, and its liabilities consist of four series of asset-backed mortgage bonds, for which the interests and capital payments are affected by the Stay Period. Therefore, as expected, there were no cash inflows or outflows for Shareco for the period between September 9, 2011 and September 24, 2011.

<u>Churchill</u>

168. There were not any cash inflows or outflows pertaining to Churchill for the period noted, compared to a budgeted net cash outflow variation of $775K.

Inverness

169. There were not any cash inflows or outflows pertaining to Inverness for the period noted, compared to a budgeted net cash outflow variation of $184K.

CP

170. Total cash inflows for CP were $169K for the period noted, while total cash outflows were $31K, which resulted in a positive net cash variation of $138K compared to a budgeted net cash outflow of $414K.

Disclaimer of lease obligations

171. On September 29, 2011, with the prior approval of the Monitor, HII sent lease disclaimer notices to landlords with respect to two leases (the "**Head Leases**") pursuant to which HII is the assignee of the respective tenants' rights and obligations, namely:

    i. a lease to which HII became a party on April 7, 2008, by assignment of the rights of the prior tenant, with bcIMC Corporation ("**bcIMC**") as landlord (the "**Jamieson Lease**");

    ii. a lease to which HII became a party on April 5, 2010, by assignment of the rights of the prior tenant, with Cadillac Fairview Corporation ("**Cadillac Fairview**") as landlord (the "**Canoxy Lease**").

172. That same day, HII sent notices disclaiming each of the 14 subleases entered into between HII and various subtenants relative to the Jamieson Lease as well as each of the 13 subleases entered into between HII and various subtenants relative to the Canoxy Lease (collectively the "**Subleases**").

173. HII aggregate's monthly rental obligations under the Jamieson Lease and the Canoxy Lease are currently approximately $2.2M/month.

174. The Subleases currently generate the aggregate, monthly income of $1.3M/month, such that the revenue generated under the Subleases is significantly lower than HII's obligations under the Head Leases, the difference representing an amount of approximately $900K per month (the "**Negative Differential**")**.**

175. In addition, HII has various tenant inducement undertakings representing in the aggregate approximately $20M (the "**TI**").

176. Considering the negative impact of the Negative Differential and the TI outstanding on the cash flow of HII, the Monitor approved the disclaimer of the Head Leases and of the Subleases, being of the opinion that said disclaimers would enhance the prospect of a viable compromise.

177. In accordance with the disclaimers, the Head Leases and Subleases will terminate on October 30, 2011.

178. In addition, with regard to amounts outstanding pursuant to the Jamieson Lease between the date of the Initial Order and the date at which the disclaimer will be effective, the following steps have been taken:

i. On September 21, 2011 the Monitor sent bcIMC a notice of stay of proceedings in response to two notices of default (the "**Notices of Default**") dated September 6, 2011 and September 16, 2011, sent by bcIMC to HII. In particular, the Monitor informed bcIMC that the stay of proceedings in effect since September 9, 2011 prevents bcIMC from discontinuing or otherwise failing to honour its obligations under the Head Leases and that any actions in relation to the Notices of Default must be suspended;

ii. On September 26, 2011, the Monitor confirmed HII's intention to meet its post-filing obligations to pay rent owed for the period between September 9, 2011 and October 30, 2011, the date at which the disclaimer of the Jamieson Lease will become effective;

iii. On September 29, 2011 HII issued a direction to pay to its 14 subtenants, directing the subtenants to pay bcIMC the amounts owed to HII in rent for the month of October.

179. As for the Canoxy Lease, HII also intends to meet its post-filing obligations to pay rent owed for the period between September 9, 2011 and October 30, 2011, the date at which the disclaimer of the Canoxy Lease will become effective.

Bought Deal/HSBC situation

Closing of Bought Deal

180. As elaborated in the Motion for Initial Order:

i. HII announced on August 23, 2011, that it had entered into an agreement to sell 3,000,000 units in Canmarc REIT (the "**Bought Deal Units**") on a Bought Deal basis to a syndicate of underwriters at $11.50 per unit for gross proceeds of $34.5M (the "**Bought Deal**");

ii. The Bought Deal was scheduled to close on September 13, 2011, following which HII's retained interest, through *inter alia*, Partnership (199) or 7924371 Canada Inc., in the total number of issued and outstanding Canmarc REIT units will be reduced to 16.1%;

iii. The Bought Deal was negotiated and concluded on an arm's length basis and represents the fair market value of the Bought Deal Units; and

iv. It was imperative that the closing of the Bought Deal proceed as planned and on schedule for the Debtors to have sufficient liquidity to carry out their restructuring initiatives under the CCAA.

181. On September 13, 2011, the Bought Deal closed as contemplated. The net proceeds of the Bought Deal (the "**Bought Deal Proceeds**") are held in trust by the Homburg Parties' counsel, Osler, Hoskin & Harcourt LLP, until settlement of the operating line of credit extended by HSBC Bank Canada ("**HSBC**") which is fully secured by units of Canmarc REIT.

HSBC Line of Credit

182. HII's bank accounts are held with HSBC. Also, HSBC has granted certain credit facilities, including a line of credit, to HII pursuant to a facility letter dated November 23, 2010 (the "**Initial HSBC Credit Agreement**").

183. Units of the Canmarc REIT are pledged to HSBC to guarantee the indebtedness owing under the Initial HSBC Credit Agreement (the "**Initial Credit Units**").

184. On or around September 2, 2011, the amounts owed to HSBC under the Initial HSBC Credit totaled approximately $4.6M.

185. On that date, HSBC and HII agreed to an amendment to the Initial HSBC Credit Agreement, permitting HII to temporarily benefit from certain additional credits up to $15 million (the "**Bridge Loan Credit Agreement**"). Two million additional units (other than the Initial Credit Units) of the Canmarc REIT were pledged to HSBC to guarantee the indebtedness owed under the Bridge Loan Credit Agreement (the "**Bridge Loan Credit Units**").

186. As disclosed in the Motion for an Initial Order, HII and HSBC agreed that HII would use a portion of the Bought Deal Proceeds to reimburse the amounts advanced under the Bridge Loan Credit Agreement after closing of the Bought Deal, upon and in consideration of which HSBC would release any and all security on and remit possession and control of the Bridge Loan Credit Units.

187. As at September 13, 2011, at the time of the closing of the Bought Deal, the amounts owed to HSBC under the Bridge Loan Credit Agreement totaled approximately $8M.

188. The Monitor has advised the Homburg Parties that reimbursement of the amounts owed under the Bridge Loan Credit Agreement is subject to the review of the validity of the security relating to the Bridge Loan Credit Units (the "**Security Review**").

189. Also, the management of HII has indicated its intention to use a portion of the Bought Deal Proceeds to reimburse the amounts owed to HSBC under the Initial HSBC Credit Agreement. The Monitor has advised that any such reimbursement should be subject to the Security Review also confirming the validity of the security relating to the Initial Credit Units.

190. On October 4, 2011, the Monitor's counsel completed the Security Review which confirmed the validity of the security relating to the Bridge Loan Credit Units and the Initial Credit Units.

Situation of assets managers and property managers

191. As previously indicated, on July 29, 2011, HII terminated the Master Agreement with HCI. Since then, HSG and Stollburgh are acting as asset and property managers for HII and its affiliates' properties in Germany and the Netherlands.

192. Following the issuance of the Initial Order, the collaboration of the asset and property managers was essential action to preserve the value of each property.

193. The asset managers are best described as the operational managers of the properties in their capacity as the owner's representatives. They have the contacts and relationships with all important tenants, bankers and municipal authorities and are responsible to supervise the property managers.

194. The property managers are responsible for the daily activities of the properties. Such responsibilities may include but are not limited to leasing of the properties, collecting rent, paying general and administrative expenses as well as maintaining the properties.

195. On September 23, 2011, a stay notice relating to the property managers was sent to the following entities preventing them from taking action against the Homburg Parties:

i. Homburg Canada Inc.

ii. Homburg Realty Services (US) Inc.

iii. Homburg Services Group (Europe) B.V.

iv. Stollburgh Capital B.V.

v. Homburg Real Estate Services B.V.

vi. Homburg L.P. Management Inc.

196. On September 30, 2011, HII secured a short term management agreement with HSG and Stollburgh up to December 30, 2011. The monetary terms and conditions in this agreement are similar to the previous agreement between HII and Homburg Canada.

Developments with the AFM since the granting of the Initial Order

197. On September 15, 2011, following the Initial Order, HII and the Monitor, together with their respective their Dutch and Canadian counsels, met with the AFM and DNB in the Netherlands to apprise them of the CCAA filing and discuss the AFM's intention to revoke HII's license as an investment company and its impact on HII's alternatives in the context of its restructuring. HII was given until September 19, 2011, to submit its written view on the Intended Decision.

198. Within the prescribed delay, HII, together with its Canadian and Dutch counsel, filed a written response to the Intention. In support of HII's response, the Monitor filed its own submissions to the AFM with respect to the Intention, the whole with a view to maintaining HII's license in order to provide HII with the most options available in connection with its restructuring under the CCAA.

199. Following the submission of the written responses, HII's Dutch counsel, the Monitor and the Monitor's Dutch counsel met once again to discuss the matter further and provide answers to any questions that the AFM may have.

200. HII continued with its efforts to comply with the AFM instructions and, in that regard, has continued its review and analysis of the entire corporate structure with a view to ensuring that the independence of HII required by the AFM is appropriately reflected.

201. In its written view, HII submitted that, in light of the CCAA filing, there were no compelling grounds for revoking HII's license.

Negative and positive equity properties analysis status

202. Management is currently reviewing, with the support of the Monitor, the financial situation of each entity and each property included in the corporate structure described earlier in this report.

203. As a result of this work, management may determine to stop supporting those entities which are obviously not performing, which have negative equity, and which deteriorate the cash position of the performing entities without any positive value for the global corporate structure.

204. Management has already identified six (6) properties, which are assets of 6 entities not included in the Homburg Parties which may be removed from the corporate structure. Once management will have obtained legal opinions from HII's legal advisors regarding the obligations regarding these entities, a final decision will be taken.

ACTIVITIES OF THE MONITOR

Cash flow monitoring

205. On September 9, 2011, the date of the Initial Order, the Monitor began monitoring the Petitioner's cash flows. As part of this process, the Monitor performs two activities:

   i. Analysis of cash inflows and outflows from all of the Homburg Parties' bank accounts on a daily basis; and,

   ii. Weekly analysis and comparison of cash inflows and outflows to the 13-week cash flow forecast previously submitted in Exhibit 15 of the Motion for an Initial Order.

Daily cash flow monitoring

206. Since September 9, 2011, the date of the Initial Order, the Monitor has analyzed the receipts and disbursements transacted through all of the Homburg Parties' Bank Accounts on a daily basis with the full co-operation of management.

207. Particular emphasis is placed on identifying, analyzing, and classifying transactions specifically pertaining to the Homburg Parties and the other HII-related entities not covered by the Initial Order as part of the daily cash flow monitoring processes completed by the Monitor.

208. In accordance with the Initial Order, any disbursements for services rendered to the Homburg Parties prior or subsequent to the date of the Initial Order were presented to, and approved by, the Monitor.

209. In addition, the Monitor assisted management during their analysis of the disbursements to be made pertaining to the other HII-related entities not covered by the Initial Order.

Weekly budget-to-actual analysis

210. On a weekly basis, the Monitor analyses the receipts and disbursements of each of the Homburg Parties for the one-week period as compiled by management and compares it to the forecasted cash flows as previously submitted in Exhibit 15 of the Motion for an Initial Order. For any significant variances generated, management provides commentary by entity to the Monitor that explains the variances and determines if it is either a permanent variance requiring a change to the forecasted cash flows, or a temporary variance that will likely be corrected in a future period. The Monitor then analysis the variances by entity in conjunction with management's commentary, and further adds its own commentary and observations.

Notifying and reporting duties performed by the Monitor

211. Within five (5) business days, the Monitor made available on its website all public information and documentation related to the Petitioner's restructuring process, including the notice to creditors, the creditor listings, press releases, and all Court documentation.

212. Within five (5) business days, the Monitor sent a notice by regular mail to all known creditors of the Debtors with claims of at least one thousand dollars ($1,000). Approximately 260 creditors received the said notice.

213. On September 16, 2011, and September 30, 2011, the Monitor published a notice with respect to the Initial Order in *La Presse*, *The Globe and Mail, the Calgary Herald and Halifax Chronicle Herald*.

214. On September 19, 2011, the Monitor completed the First Report and filed it with this Honourable Court, served it to the service list and made it available on its website.

Discussions with the Trustees to the bondholders and other stakeholders

215. Since the issuance of the Initial Order, the Monitor has endeavour to meet or discuss with representatives of various stakeholders; the Monitor namely met or had discussions with, amongst others, directors of HII, Propety/Asset managers of the Europe and the Baltic Properties, representatives of HSBC and of the Taberna Notes.

216. Also, in order to be in a position to advise each holders of Bonds (the "**Bondholders**") of the CCAA proceedings in conformity with its duties, the Monitor requested up-to-date lists of the registered Bondholders from HII and Shareco and their counsels. The Monitor was informed that HII did not have such lists in its possession and that they were taking measures to obtain same.

217. On September 21, 2011, the Monitor's counsel wrote a letter to the Trustees and Shareco requesting the lists of registered Bondholders, together with the information which the Trustees have the obligation to keep pursuant to the Trust Indentures, including the names and addresses of the holders of the Bonds issued by HII and Shareco, as well as the principal amount and serial number of Bonds held by each such holder.

218. On September 26 and 29, 2011, the Monitor's counsel sent letters to the Trustees' counsel to, inter alia, once again request an up-to-date list of the registered Bondholders (the Monitor was informed that HII's counsel made a written request to the same effect on that day as well); and to enquired on the possibility to hold a meeting with the representative of the Trustees.

219. The Monitor and the Trustees have scheduled a meeting to take place in Montreal on October 5, 2011 to discuss various issues relating to HII's restructuring.

220. On September 29, 2011, HII issued a second press release informing the Bondholders (the vast majority of which are located in the Netherlands) about the CCAA process and where to obtain additional information about this process, including the Monitor's website and contact information.

221. This press release also announced an upcoming online interactive information session (webcast) during which HII will provide further details about the CCAA process and how it affects Bondholders (the "**Webcast**"). Viewers of the Webcast will be able to submit their written questions to the panelists, who will include HII's Chief Executive Officer, HII's legal counsel and the Monitor. Details and dates of the Webcast will be provided in future communications;

222. The Monitor supports this initiative and believes it is important to have direct communications with the Bondholders to allow them to ask questions on the CCAA process generally and its impact on the Bondholders.

Discussions with the AFM

223. On September 19, 2011 as mentioned above HII's Dutch counsel submitted its written view on the Intended Decision to revoke the license, and forwarded a translation of this written view to the Monitor.

224. On September 20, 2011, the Monitor's Dutch counsel filed with the AFM a request for the Monitor to be recognized as an interested party and thus, *inter alia*, be authorized to file independently from HII its written view on the Intended Decision. This request was accompanied by an "Annex" signed by the Monitor's Canadian counsel describing the underlying principles of a CCAA restructuring process and the role, duties and functions of a monitor in such a CCAA restructuring process, namely its role as independent court officer in charge of (i) supervising the process to ensure it is handled fairly, diligently and reasonably for the benefit of the creditors and other stakeholders and (ii) assisting the debtor in completing a successful restructuring. By letter dated September 29, 2011 the Monitor's Dutch counsel provided some additional information on the reference in the Initial Order to the role of the Monitor as "foreign representative" following questions received from the AFM on this subject.

225. On September 22, 2011, HII's Dutch counsel, the Monitor's Dutch counsel and a representative of the Monitor attended a meeting convened by the AFM and DNB in order to discuss the AFM's position on the Intended Decision in light of the recent developments, especially the initiation of the CCAA restructuring process.

226. This meeting was mainly information based and the AFM did not express any position on the Intended Decision, although it indicated still having concerns with respect to HII.

227. The AFM furthermore has indicated it is currently not and will not be assessing the implications of the Heads of Agreement as envisaged by the Trustee's counsel or as entailed in the Heads of Agreement itself since the AFM is in the process of determining to revoke HII's license on grounds not only addressing possible influence of Mr. Richard Homburg on HII but also on grounds that HII has not sufficiently followed up on instructions of the AFM to guarantee controlled and sound business operations.

228. On September 26, 2011, following a case management hearing on September 23, 2011, this Honorable Court rendered a "Case Management Order" declaring that the Monitor should act as the "conductor of orchestra" in coordinating the efforts with the AFM and DNB and ordering the Monitor to seek a meeting with the AFM to allow the AFM to express its outstanding concerns pertaining to HII.

229. On September 27, 2011, following the "Case Management Order" the Monitor's Dutch counsel contacted the AFM and sought a meeting between the Monitor and its counsels and the AFM in order for the Monitor to fully understand the AFM's concerns and, if possible, for the parties to identify an alternative solution to the outright revocation of HII's license.

230. During that conversation, the AFM indicated that, although a meeting may be possible, the only possible scenario currently being considered is the Intended Decision and that any discussions on possible other scenarios or alternatives to the revocation of the license could not take place at the present stage. The AFM also declined to provide the Monitor with any additional information.

231. Since two meetings between the AFM and the Monitor or its legal counsels have already taken place since the Initial Order to explain the position of the Monitor and the CCAA restructuring process, in addition to written submissions having been filed by the Monitor's counsel, and given the indicated limitations to the contents of such a meeting, the Monitor and its Canadian and Dutch counsels considered that such a meeting would not be worthwhile at this stage and thus decided, in light of the numerous other pressing issues, not to go forward with an additional meeting.

232. The Monitor's Dutch counsel informed the AFM accordingly and requested that the AFM notify them if the conditions under which the AFM would contemplate to hold a meeting with the Monitor may change, and indicated the willingness of the Monitor to have such discussions with the AFM. The AFM has expressed its desire to meet the Monitor in due course to discuss its findings and recognized the necessity to cooperate in the near future with the Monitor in the interest of the investors and to assist it in its tasks.

233. The Monitor would find it very unfortunate if the Intended Decision was rendered as it would remove restructuring options to HII at an early stage of the restructuring process (or at least render certain options more difficult and costly to achieve), which would ultimately be detrimental to the creditors of the Homburg Parties, and more particularly the Bondholders. The Monitor believes that the parties who will ultimately be affected by an eventual plan of arrangement of HII, i.e. the creditors, including the Bondholders, should ultimately decide on the fate of HII on their own, rather than the AFM indirectly doing so by removing options available to them. For these reasons, the Monitor will continue to follow up with the AFM and to offer its full collaboration.

EXTENSION OF THE STAY PERIOD

234. Pursuant to the Initial Order, a Stay Period was granted until October 7, 2011.

235. The Homburg Parties notified the Monitor of their intention to request an extension of the Stay Period to December 10, 2011 to allow the Homburg Parties to stabilize their operations and develop and eventually submit a plan of arrangement to its creditors under the CCAA.

236. It is the Monitor's opinion that it is necessary to extend the Stay Period to ensure the Homburg Parties are able to evaluate the different options available to them for the benefit of their stakeholders. The Monitor considers the Homburg Parties' restructuring process to be progressing well notwithstanding the challenges outlined above; however, more time will be required to develop a restructuring plan acceptable to all stakeholders.

Amended 13-week cash flow forecasts

237. Upon further investigation into the business and operations of the Debtors, and with additional information provided by and learned through discussions with management, some changes to the cash flow statements of HII, Churchill, Inverness, and CP as originally provided in the Initial Order, are required to accurately reflect the financial situation of the Debtors.

238. The amended 13-week cash flow forecasts still pertain to the same 13-week period as originally provided; however, the cash inflows and outflows for Weeks 1 and 2 have been updated based on actual cash receipts and disbursements.

239. The opening cash balances of ShareCo, Churchill and Inverness have been updated in the amended 13-week cash flow forecasts. The original cash flow forecasts for these entities were calculated based on the allocated cash balance as reflected in the Homburg Parties accounting records, rather than the actual cash balance as per the bank statements for the relevant accounts of each entity as was presented for HII and CP. To ensure that a consistent presentation and underlying methodology is used to present the opening cash balance in the amended cash flow forecasts for all Debtors, the opening balances of ShareCo, Churchill and Inverness have been updated to reflect the actual amount of cash as per the relevant bank statements.

240. The amended cash flow forecasts for HII, ShareCo, Churchill, Inverness and CP, as well as additional commentary identifying the primary assumptions and amounts updated, are attached as Appendix I.

<u>HII</u>

241. The original forecast indicated that the opening cash balance of $(14,806)K would increase to $12,333K before lines of credit or other adjustments by the end of the 13-week period assuming the Deloitte adjustments are included – an increase of $27,193K. In comparison, the Amended HII Forecast indicates that the revised ending cash balance would be $13,808K – an increase of $1,475K over the original ending cash balance estimate as of Week 13.

242. The forecasted cash flows of HII were positively impacted by the forecasted receipt of Jamieson sublease receipts of $1,025K.

243. The increase noted above to the forecasted cash flows of HII were partially offset by the following:

    i. Increased forecasted hotel related expenses that were partially offset by increased hotel revenues; and,

    ii. The revision of forecasted head lease obligations for Jamieson, CP, Canoxy, PEI and Montreal.

<u>ShareCo</u>

244. The Monitor does not anticipate any cash inflows or outflows pertaining to ShareCo for the 13-week period ending December 10, 2011 as originally presented in the ShareCo cash flow statement as provided in the Initial Order. Since the opening cash balance for ShareCo has been revised, it was necessary to submit an amended cash flow statement with this Second Report.

<u>Churchill</u>

245. The original forecast indicated that the opening cash balance of $(648)K would increase to $442K by the end of the 13-week period – an increase of $1,090K. In comparison, the Amended Churchill Forecast indicates that the revised ending balance would be $(132)K – a decrease of $574K over the original ending cash balance estimate as of Week 13.

246. The following changes negatively impacted the forecasted cash flows of Churchill:

i. The adjustment of the opening balance as of September 9, 2011 from $(648)K to nil.

ii. The elimination of the sale and receipt of condo proceeds as originally forecasted in Week 1 due to no sale taking place, and reduction in disbursements pertaining to the sale, such as commissions and professional fees; and,

iii. The requirement to pay the mortgage principal upon the sale and receipt of the proceeds from any condominium that occurred, which effectively eliminates the potential benefit of the sale.

<u>Inverness</u>

247. The original forecast indicated that the opening cash balance of $(632)K would increase to $11K by the end of the 13-week period – an increase of $643K. In comparison, the Amended Inverness Forecast indicates that the revised ending balance would be $(23)K – a decrease of $34K over the original ending cash balance estimate as of Week 13.

248. The following changes negatively impacted the forecasted cash flows of Inverness:

i. The adjustment of the opening balance as of September 9, 2011 from $(632)K to nil.

ii. The elimination of the sale and receipt of condo proceeds as originally forecasted in Week 1 due to no sale taking place, and reduction in disbursements pertaining to the sale, such as commissions and professional fees; and,

iii. The requirement to pay the mortgage principal upon the sale and receipt of the proceeds from any condominium that occurred, which effectively eliminates the potential benefit of the sale.

<u>CP</u>

249. The original forecast indicated that the opening cash balance of $(30)K would decrease to $(376)K by the end of the 13-week period assuming that HII would, and is able to, fund CP with surplus cash flows – a decrease of $346K. In comparison, the Amended CP Forecast indicates that the revised ending balance without additional funding from HII would be $106K – an increase of $482K over the original ending cash balance estimate as of Week 13.

250. The following changes positively impacted the forecasted cash flows of CP:

i. A decrease in the head lease expenditure to be paid on a monthly basis; and,

ii. Receipt of a reimbursement from the escrow for pre-filing construction costs that were not included in the original cash flow forecast;

iii. Transfer of the head lease obligation from the CP cash flow to the HII cash flow;

MONITOR'S CONCLUSION AND RECOMMENDATION

251. It is the Monitor's view that the Homburg Parties have acted in good faith and with due diligence in accordance with the Initial Order.

252. It is the Monitor's opinion that an extension of the Stay Period to December 10, 2011 will allow the Homburg Parties to continue to restructure their operations and to eventually develop a viable plan of arrangement, for the benefit of all stakeholders and that the extension will not prejudice any of the Homburg Parties' creditors.

253. It is the Monitor's opinion that the Homburg Parties will likely not be able to file to this Court a plan of arrangement by December 10, 2011, the date of the proposed extension of the Stay Period, due to the complexity, time and resources required to develop such a plan.

The Monitor respectfully submits to the Court its Second Report.

DATED AT MONTREAL, this 5th day of October 2011.

Pierre Laporte, CA, CIRP
President

SAMSON BÉLAIR/DELOITTE & TOUCHE INC.
In its capacity as Court-Appointed Monitor

APPENDICES

APPENDIX A

THE ENTITIES Mis en Cause

HOMCO REALTY FUND (52) LIMITED PARTNERSHIP
HOMCO REALTY FUND (53) LIMITED PARTNERSHIP
HOMCO REALTY FUND (88) LIMITED PARTNERSHIP
HOMCO REALTY FUND (89) LIMITED PARTNERSHIP
HOMCO REALTY FUND (92) LIMITED PARTNERSHIP
HOMCO REALTY FUND (105) LIMITED PARTNERSHIP
HOMCO REALTY FUND (121) LIMITED PARTNERSHIP
HOMCO REALTY FUND (122) LIMITED PARTNERSHIP
HOMCO REALTY FUND (142) LIMITED PARTNERSHIP
HOMCO REALTY FUND (199) LIMITED PARTNERSHIP

APPENDIX B

Canada properties

Entity	Property and Location	Legal or Registered Owner of Property
Castello Development Ltd.	Castello Towers 530 – 12th Avenue SW, Calgary, AB	Castello Development Ltd.
Churchill Estates Development Ltd.	Residence Eau-Claire 307 6th Street SW, Calgary AB	Churchill Estates Development Ltd.
CP Development Ltd.	Centron Park Condominium, plan 1012452 4041 – 6th Street SE, and 4000 – 4th Street SE	CP Development Ltd.
Inverness Estates Development Ltd.	Inverness Estates, Meridian 6, Range 6 Township 71, Grande Prairie, AB	Inverness Estates Development Ltd.
North Calgary Land Ltd.	North Calgary Land Meridian 4, Range 29, Township 26, Section 16 SE & SW Plan 0812059, Block 7, 1 of 4 Lot 1 of 4, SE ¼ of Section 16, Township 26, Rockyview	North Calgary Land Ltd. 175-4639 Manhattan Road SE, Calgary AB T2G 4B3 Pyarali A Mitha Professional Corporation 12240 Lake Erie Way SE, Calgary AB T2J 2M1
Homco Realty Fund (52) LP	5% of a condo complex. All units sold. Clareview Courts 139th Avenue & 4245 Second St S.W. Edmonton, Alberta, Canada	General Partner
Homco Realty Fund (83) LP	135-137 Pownal Street (Condos) Charlottetown, Prince Edward Island, Canada	General Partner
Homco Realty Fund (88) LP	Kai Mortenson Towers, 1227, 11th Av. SW, Calgary, Alberta, Canada	General Partner

Entity	**Property and Location**	**Legal or Registered Owner of Property**
Homco Realty Fund (94) LP	Homburg Springs West NW ¼ Section 10 Township 26, Range 1 17, 400 Centre Street NE Calgary, Alberta, Canada	General Partner
Homco Realty Fund (96) LP	North Calgary Land Meridian 4, Range 29, Township 26, Section 16 SE & SW **Plan 0812059, Block 7, Lot 4** [Note: this property belong to a third party who entered into a swap under which it will cede this property upon completion of the project when North Calgary will deliver back to Dr. Mitha 15 net acres of subdivided lands.]	North Calgary Land Ltd. 175-4639 Manhattan Road SE, Calgary AB T2G 4B3 Pyarali A Mitha Professional Corporation 12240 Lake Erie Way SE, Calgary AB T2J 2M1
Homco Realty Fund (105) LP	Homburg Holland Towers 1316 – 11th Avenue SW Calgary, Alberta, Canada	General Partner
Homco Realty Fund (121) LP	Henderson Farms Alberta, Canada SW-15-26-29-04	General Partner
Homco Realty Fund (122) LP	Lougheed Estates, Fort McMurray Condominium plan 0621302, Alberta, Canada	General Partner

APPENDIX C

Germany and Netherlands Properties

Entity	**Property and Location**	**Legal or Registered Owner of Property**
Homco Realty Fund (69) LP	Philippstrasse 3 Bochum, Germany	Valbonne Real Estate 2 BV
Homco Realty Fund (70) LP	Elbetrasse 1-3 Marl, Germany	Coet B.V.
	Binnerheide 26 Schwerte, Germany	Coet B.V.
	Indusriestrasse 19 Hassmersheim, Germany	Coet B.V.
	Wolfraamweg 2 Wolvega, the Netherlands	Coet B.V.
Homco Realty Fund (71) LP	Meidornkade 22-24 Houten, the Netherlands	Homco Realty Fund (71) LP
Homco Realty Fund (72) LP	Industriestraat 6, Numansdrop, the Netherlands	Homco Realty Fund (72) LP
Homco Realty Fund (73) LP	Fortanweg 10 Amersfoot, the Netherlands	Homco Realty Fund (73) LP
Homco Realty Fund (74) LP	Industrielaan 24 Uden, the Netherlands	Homco Realty Fund (74) LP
Homco Realty Fund (76) LP	Daalakkersweg 2a & 8 Eindhoven, the Netherlands	Homco Realty Fund (76) LP
Homco Realty Fund (84) LP	Stationsplein, 7 & 9 Groningen, the Netherlands	Homco Realty Fund (84) B.V.
Homco Realty Fund (85) LP	Mathildelaan 1 Eindhoven, the Netherlands	Homco Realty Fund (85) B.V.
Homco Realty Fund (86) LP	Benthemstraat 10 Rotterdam, the Netherlands	Homco Realty Fund (86) B.V.
Homco Realty Fund (87) LP	Energleweg 9 Rotterdam, the Netherlands	Homco Realty Fund (87) B.V.

Entity	**Property and Location**	**Legal or Registered Owner of Property**
Homco Realty Fund (92) LP	Nijverheidsweg/Industrieweg't Harde, the Netherlands	Homco Realty Fund (92) LP
Homco Realty Fund (98) LP	Annendorfer Straße, Wittenburg Germany	Homco Realty Fund (98) LP
Homco Realty Fund (102) LP	Hardwareweg 11, Amersfoort, the Netherlands	Homco Realty Fund (102) LP
Homco Realty Fund (110) LP	Campeon Complex Munich, Germany	MoTo Objekt Campeon GmbH & Co. KG
Homco Realty Fund (111) LP	Tarasconweg 2, Eindhoven, the Netherlands	Homco Realty Fund (111) LP
Homco Realty Fund (112) LP	Valkstraat 14, Sittard, the Netherlands	Homco Realty Fund (112) LP
Homco Realty Fund (113) LP	Corkstraat, Rotterdam, the Netherlands	Homco Realty Fund (113) LP
Homco Realty Fund (114) LP	Beelarts van Bloklandstraat 10-14, Tilburg, the Netherlands	Homco Realty Fund (114) LP
Homco Realty Fund (115) LP	Gentseweg 5-19, Gouda, the Netherlands	Homco Realty Fund (115) LP
Homco Realty Fund (116) LP	Hoevenweg 11-11a, Eindhoven, the Netherlands	Homco Realty Fund (116) B.V.
Homco Realty Fund (117) LP	Wilhelminaplein 26, Roermond, the Netherlands	Homco Realty Fund (117) B.V.
Homco Realty Fund (118) LP	Wilhelminiasingel 5, Roermond, the Netherlands	Homco Realty Fund (118) B.V.
Homco Realty Fund (119) LP	Noorderpoort 33, Venlo, the Netherlands	Homco Realty Fund (119) B.V.
Homco Realty Fund (120) LP	Keesomlaan 6-10 Amstelveen, the Netherlands	Homco Realty Fund (120) GmbH
Homco Realty Fund (123) LP	Platinawerf 22-26, Beuningen, the Netherlands	Homco Realty Fund (123) LP
Homco Realty Fund	Bruistensingel 500-598, Hertogenbosch, the Netherlands	Homco Realty Fund 142 GmbH (although in the Land Registry

Entity	**Property and Location**	**Legal or Registered Owner of Property**
(142) LP	IJsbaanpad 1-5, Amsterdam, the Netherlands Amstelveenseweg 400, Amsterdam, the Netherlands	reference is made to the former name of Homco Realty Fund 142 GmbH, being Trinkaus Europea Immobilien-Fonds Nr. 2 Objekte Amsterdam-Süd und 's-Hertogen-bosch Verwaltungs-GmbH)

APPENDIX D

United States Properties

Entity	Property and Location	Legal or Registered Owner of Property
Homburg Holdings (US) Inc.	555 East Pikes Peak Avenue, Colorado Springs, Colorado, USA	Management and its counsel are currently obtaining and verifying this information.
	557 East Pikes Peak Avenue Colorado Springs, Colorado, USA	Management and its counsel are currently obtaining and verifying this information.
	559 East Pikes Peak Avenue Colorado Springs, Colorado, USA	Management and its counsel are currently obtaining and verifying this information.
	4575 Hilton Parkway Colorado Springs, Colorado, USA	Management and its counsel are currently obtaining and verifying this information.
	3535 Van Teylingen Drive Colorado Springs, Colorado, USA	Management and its counsel are currently obtaining and verifying this information.
	669 Airport Freeway Hurst, Texas, USA	Management and its counsel are currently obtaining and verifying this information.
	15510 Lexington Boulevard Sugarland, Texas, USA	Management and its counsel are currently obtaining and verifying this information.
	3740 Colony Drive San Antonio, Texas, USA	Management and its counsel are currently obtaining and verifying this information.
	8400 Blanco Road San Antonio, Texas, USA	Management and its counsel are currently obtaining and verifying this information.
	10800 and 10829 Hillpoint Drive San Antonio, Texas, USA	Management and its counsel are currently obtaining and verifying this information.

Entity	**Property and Location**	**Legal or Registered Owner of Property**
	4718 and 4738 Cotton Belt Drive, San Antonio, Texas, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Pennsboro, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Fieldstone, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – StoneHedge, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Meadows, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Spring Meadows, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Ayr, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Aston, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Scott, USA	Management and its counsel are currently obtaining and verifying this information.
	Cedar – Parkway Plaza, USA	Management and its counsel are currently obtaining and verifying this information.

APPENDIX E

Baltic Properties

Entity	**Property and Location**	**Legal or Registered Owner of Property**
KUB Homburg LT Baltijos Investicijos 1	Laisvės 75, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Jogailos 9/1, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Gedimino 10, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Maironio 19, Kaunas, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Turgaus 15, Klaipėda, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Turgaus 19, Klaipėda, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Turgaus 17, Klaipėda, Lithuania	Management and its counsel are currently obtaining and verifying this information.
KUB Homburg NT	Gedimino 12, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Vokieciu 9, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Laisves 82, Kaunas, Lithuania	Management and its counsel are currently obtaining and verifying

Entity	**Property and Location**	**Legal or Registered Owner of Property**
		this information.
	Tilzes 157, Siauliai, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Ukmerges 20, Panevezys, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Burbos 3, Maziekiai, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Basanaviciaus 51, Kedainiai, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Vytauto 11, Marijampole, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Pulko, Alytus, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Rotuses 8, Birzai, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Jogailos 9a, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Žirmūnų 70,Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Kalvarijų 98, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Saltoniškių 29, Vilnius, Lithuania	Management and its counsel are currently obtaining and verifying this information.

Entity	Property and Location	Legal or Registered Owner of Property
	Utenio 15, Uteria, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Kęstučio 38, Kaunas, Lithuania	Management and its counsel are currently obtaining and verifying this information.
	Daržų 13, Klaipėda, Lithuani	Management and its counsel are currently obtaining and verifying this information.
Homburg Baltic (ES) Investments UU	Tartu mnt. 13, Tallinn, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Maleva 1, Tallinn, Estonia	Management and its counsel are currently obtaining and verifying this information.
Homburg Baltic (ES) AST Investments UU	Rüütli 40a, Pärnu, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Aia 5, Valga, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Vainu 11, Paide, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Vaksali 2, Viljandi, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Tallinna mnt. 28, Narva, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Tallinna mnt.12, Rapla, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Rakvere 3a, Jõhvi, Estonia	Management and its counsel are currently obtaining and verifying

Entity	**Property and Location**	**Legal or Registered Owner of Property**
		this information.
	Aia 1, Jõgeva, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Keskväljak 7, Kärdla, Estonia	Management and its counsel are currently obtaining and verifying this information.
	Tornimäe 2, Tallinn, Estonia	Management and its counsel are currently obtaining and verifying this information.
Homburg Baltic (LV) Investments UU	Unicentrs, Riga, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Baznīcas iela 4/6, Liepāja, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Ozolu iela 1, Gulbene, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Rīgas iela 9, Saldus, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Dubultu prospects 19, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Brīvības iela 14, Dobele, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Pormalu iela 11, Jēkabpils, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Kuldīgas iela 3, Ventspils, Latvia	Management and its counsel are currently obtaining and verifying this information.

Entity	**Property and Location**	**Legal or Registered Owner of Property**
	Rīgas iela 1, Sigulda, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Dzirnavu iela 5, Kuldīga, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Talsu iela 3, Preili, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Burtnieku iela 8, Limbaži, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Lāčplēša iela 2, Aizkraukle, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Rīgas iela 25, Valka, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Bērzpils iela 6, Balvi, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Studentu iela 2, Krāslava, Latvia	Management and its counsel are currently obtaining and verifying this information.
	Lielā iela 11, Kandava, Latvia	Management and its counsel are currently obtaining and verifying this information.

APPENDIX F

Entity	**Property and Location**	**Legal or Registered Owner of Property**
Churchill Estates Development Ltd.	Residence Eau-Claire 307 6th Street West, Calgary AB	Churchill Estates Development Ltd.
CP Development Ltd.	Centron Park Condominium plan 1012452, units 3, 4 and 5	CP Development Ltd.
Inverness Estates Development Ltd.	Inverness Estates, Meridian 6, Range 6 Township 71, Grande Prairie, AB	Inverness Estates Development Ltd.
Homco Realty Fund (52) LP	5% of a condo complex. All units sold. Clareview Courts 139th Avenue & 4245 Second St S.W. Edmonton, Alberta, Canada	General Partner
Homco Realty Fund (88) LP	Kai Mortenson Towers, 1227, 11th Av. SW, Calgary, Alberta, Canada	General Partner
Homco Realty Fund (89) LP	Centron Park Condominium, plan 1012452	CP Development Ltd. (wholly-owned by HII)
Homco Realty Fund (92) LP	Nijverheidsweg/Industrieweg't Harde, the Netherlands	Homco Realty Fund (92) LP
Homco Realty Fund (105) LP	Homburg Holland Towers Calgary, Alberta, Canada	General Partner
Homco Realty Fund (121) LP	Henderson Farms Alberta, Canada	General Partner
Homco Realty Fund (122) LP	Lougheed Estates, Fort McMurray Condominium plan 0621302, Alberta, Canada	General Partner
Homco Realty Fund	Bruistensingel, Hertogenbosch and Amstelveenseweg / IJsbaanpad,	Homco Realty Fund 142 GmbH (although in the Land Registry

Entity	Property and Location	Legal or Registered Owner of Property
(142) LP	Amsterdam, NED	reference is made to the former name of Homco Realty Fund 142 GmbH, being Trinkaus Europea Immobilien-Fonds Nr. 2 Objekte Amsterdam-Süd und 's-Hertogen-bosch Verwaltungs-GmbH)

APPENDIX G

The following tables summarize the assets and liabilities of each of the Homburg Parties as of June 30, 2011:

Churchill

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Churchill Estates Development Ltd.	14,421	-	14,421	8,160	18,037	26,197

Churchill owns a condominium development in Calgary, Alberta. The book value of the assets consists of approximately twenty unsold condominium units. Liabilities consist mainly of mortgage on the property and related party liabilities.

CP Development Limited

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
CP Development Limited	42,772	-	42,772	18,947	65,957	84,904

CP Development owns an office building currently under development. Liabilities consist of accounts payable and a construction loan. Related parties liabilities consist of a loan from HII.

HII

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homburg Invest Inc.	440,539	157,557	598,096	583,631	-	583,631

HII owns investments in various types of commercial real estate properties located in Canada, four states in the United States of America, and Germany, Lithuania, Estonia, Latvia and the Netherlands. The book value of its investments is approximately $440M. The remaining assets consist of amounts due from subsidiaries. The liabilities mainly consist of various mortgages, junior subordinated notes, and corporate non-asset backed bonds.

ShareCo

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homburg ShareCo Inc.	59	140,902	140,961	144,031	-	144,031

ShareCo assets consist of cash and advances to related entities. ShareCo raises capital for HII through the issuance of HII mortgage bonds in the European market. Liabilities consist primarily of mortgage bonds.

Inverness

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Inverness Estates Development Ltd.	9,730	-	9,730	3,514	14,092	17,606

Inverness owns a condominium development in Grand Prairie, Alberta. The assets consist of approximately forty-eight units. Liabilities mainly consist of notes payable or due to HII. The remaining debt consists of a mortgage on the property.

Partnership (52)

Company / limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (52) Limited Partnership	9,048	18,047	27,095	-	25,045	25,045

Partnership (52) owns approximately 146 acres of land in Calgary, Alberta. The debt owed by Partnership (52) is due to HII.

Partnership (53)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (53) Limited Partnership	-	-	-	-	-	-

Based on the information management has provided, Partnership (53) currently has no assets or liabilities.

Partnership (88)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (88) Limited Partnership	59,727	-	59,727	8,845	78,970	87,815

Partnership (88) owns 1.04 acres of land for the construction of a residential complex where a six-level underground parking garage is currently situated. The liabilities consist mainly of a loan from HII of $79M and a mortgage of $5M.

Partnership (89)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (89) Limited Partnership	-	-	-	-	-	-

Partnership (89) was set up to hold the CP property upon completion. Based on the information management has provided, Partnership (89) currently has no assets or liabilities.

Partnership (92)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (92) Limited Partnership	10,861	1,896	12,757	11,753	-	11,753

Partnership (92) owns six commercial properties located in the Netherlands for a total of approximately 150,545 square feet. The liabilities mainly consist of notes payable and mortgages on the properties.

Partnership (105)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (105) Limited Parntership	8,825	-	8,825	4,772	11,189	15,961

Partnership (105) owns a 29,000 square foot development site in Calgary, Alberta, with a book value of approximately $8.8M. The liabilities consist of a construction loan of $4.7M and a loan from HII of $11.2M.

Partnership (121)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (121) Limited Partnership	16,650	-	16,650	6,575	20,166	26,741

Partnership (121) acquired 38.34 acres of land on the outskirts of Calgary for future development. The liabilities mainly consist of a construction loan of $6.6M and a loan from HII of $20.2M.

Partnership (122)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (122) Limited Partnership	9,724	-	9,724	6,340	3,658	9,998

Partnership (122) owns a condominium development in Fort McMurray, Alberta. The assets consist of approximately thirty-nine unsold condominium units. Liabilities mainly consist of loans payable to HII and mortgage debt on the property.

Partnership (142)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (142) Limited Partnership	31,580	-	31,580	28,264	8,575	36,839

Partnership (142) owns two commercial properties located in the Netherlands with approximately 110,018 square feet of commercial space. The liabilities mainly consist of loans payable to HII and a mortgage on the property.

Partnership (199)

Company / Limited partnership (C$000)	Assets	Related party assets	Total assets	Liabilities	Related party liabilities	Total liabilities
Homco Realty Fund (199) Limited Partnership	151,650	156,924	308,574	-	214,115	214,115

Partnership (199) holds 8,813,866 of CANMARC REIT (formerly, Homburg Canmarc REIT) units. The remaining related party asset consists of a loan to HII. The related party liabilities consist of loans to three related companies unaffected by the Initial Order.

APPENDIX H

HII

The following is the budget-to-actual cash flow analysis for HII for the period September 9, 2011 to September 24, 2011:

Homburg Invest Inc.
Budget to Actual Cash Flow
Unaudited - Based on information provided by the Company
(in thousands of CAD)

	For the period of September 9, 2011 to September 24, 2011		
	Actual	Budget	Variance
Cash inflows			
REIT distributions	856.1	697.8	158.3
REIT unit sale proceeds	-	34,500.0	(34,500.0)
GST/HST collected	-	-	-
Hotel related receipts			
Hotel construction draw	1,456.0	71.4	1,384.6
Total cash inflows	2,312.1	35,269.2	(32,957.1)
Intercompany receipts	-	-	-
Total cash inflows and intercompany receipts	**2,312.1**	**35,269.2**	**(32,957.1)**
Cash outflows			
Commissions	-	1,587.0	1,587.0
Payroll	75.6	70.0	(5.6)
Rent expense	13.3	35.0	21.7
Head lease obligation	-	167.0	167.0
Professional fees	430.5	750.0	319.5
Insurance	-	-	-
Office & admin	32.5	-	(32.5)
Director fees	-	-	-
Key employee retention program	-	-	-
Capital tax	-	-	-
Jamieson obligation	-	-	-
Corporate bond principal repayment	-	-	-
Corporate bond interest payment	-	-	-
Junior subordinate debt principal repayment	-	-	-
Junior subordinate debt interest payment	-	-	-
HCSA interest payment	-	-	-
GST/HST remitted	-	-	-
	551.9	2,609.0	2,057.1
Hotel related outflows			
Payroll	29.3	15.0	(14.3)
Management fee	-	-	-
Property and other taxes	-	-	-
Insurance	-	-	-
G&A	52.8	-	(52.8)
Construction costs	1,476.3	1,600.0	123.7
Mortgage principal & interest	-	-	-
Total hotel related outflows	1,558.4	1,615.0	56.6
Total cash outflows	**2,110.3**	**4,224.0**	**2,113.7**
Intercompany disbursements	-	-	-
Total cash outflows plus intercompany disbursements	**2,110.3**	**4,224.0**	**2,113.7**
Opening cash balance	**(14,806.0)**	**(14,806.0)**	**-**
Variation in cash balance	201.8	31,045.2	(30,843.4)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**(14,604.2)**	**16,239.2**	**(30,843.4)**

HII budget-to-actual commentary

The Monitor's comments on HII's total cash inflow and outflow variances during the period September 9, 2011 to September 24, 2011 are as follows:

Inflows

- In comparison to the initial statement of projected cash flows presented to the Court and filed with the Initial Order (the "HII Initial Cash Flow Statement"), an overall unfavorable cash inflow variance of approximately $32,957K occurred.

- It was anticipated that proceeds of $34,500K from the Bought Deal would be received; however, the proceeds were not received during the period noted. Of the $34,500.0K, $3,000K and $2,000K was received on September 26, 2011, and September 29, 2011, respectively, with the remainder forthcoming resulting in an unfavorable timing variance.

- An off-setting favorable variance of $1,384K also resulted from the receipt of funding (i.e. hotel construction draw) originating from the provincial government of Prince Edward Island as discussed in the First Report that was not originally budgeted in the HII Initial Cash Flow Statement. The impact on HII's variation in cash balance is minimal as these funds were issued to vendors and trades in accordance with the agreement between the PEI government, HII, and the Monitor.

Outflows

- In comparison to the HII Initial Cash Flow Statement, a favorable variance of $2,113K was experienced.

- Commissions of $1,587K were budgeted as a result of the anticipated Canmarc REIT proceeds; however, until the Canmarc REIT proceeds are received, commissions will not be paid, and a favorable variance will occur.

- A favorable variance of $319K pertaining to professional fees occurred, which represents a timing variance that will be corrected in future periods.

- Head lease obligation disbursements were not issued during the period noted, but will be in future periods resulting in a favorable timing variance of $167K.

- As a result of the hotel construction draw being funded by the PEI government as noted, the majority of the corresponding disbursements totaling $1,476K were paid to contractors in accordance with the agreement, resulting in a favourable variance of $123K.

ShareCo Inc.:

The following is the budget-to-actual cash flow analysis for ShareCo for the period September 9, 2011 to September 24, 2011:

Homburg ShareCo Inc.
Budget to Actual Cash Flow
Non audited - Based on information provided by the Company
(in thousands of canadian dollar)

	For the period September 9, 2011 to September 24, 2011		
	Actual	Budget	Variance
Cash inflows			
Mortgage bond issuance	-	-	-
Total cash inflows	-	-	-
Intercompany receipts	-	-	-
Total cash inflows and intercompany receipts	-	-	-
Cash outflows			
Interest payments - mortgage bonds	-	-	-
Repayment of Bonds	-	-	-
Total cash outflows	-	-	-
Intercompany disbursements	-	-	-
Total cash outflows and intercompany disbursements	-	-	-
Opening balance	-	-	-
Variation in Cash Balance	-	-	-
Exchange rate (Gain / Loss)	-	-	-
Ending balance	-	-	-

<u>ShareCo budget-to-actual commentary</u>

There were not any cash inflows or outflows for Shareco for the period September 9, 2011 to September 24, 2011.

Churchill

The following is the budget-to-actual cash flow analysis for Churchill for the period September 9, 2011 to September 24, 2011:

Churchill Estates Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on information provided by the Company
(in thousands of CAD)

	For the period September 9, 2011 to September 24, 2011		
	Actual	Budget	Variance
Cash inflows			
Condo sales proceeds	-	814.0	(814.0)
GST collected	-	41.0	(41.0)
GST ITC refund	-	-	-
Total cash inflows	**-**	**855.0**	**(855.0)**
Intercompany receipts	-	-	-
Total cash inflows and intercompany receipts	**-**	**855.0**	**(855.0)**
Cash outflows			
Commissions	-	41.0	41.0
Advertising	-	-	-
R&M	-	-	-
Property tax	-	18.0	18.0
Professional fees	-	1.0	1.0
Insurance	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	-	20.0	20.0
GST remitted	-	-	-
Total cash outflows	-	80.0	80.0
Intercompany disbursements	-	-	-
Total cash outflows plus intercompany disbursements	**-**	**80.0**	**80.0**
Opening cash balance	**(648.0)**	**(648.0)**	**-**
Variation in cash balance	-	(775.0)	(775.0)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**(648.0)**	**(1,423.0)**	**(775.0)**

Churchill budget-to-actual commentary

The Monitor's comments on Churchill's total cash inflow and outflow variances during the period September 9, 2011 to September 24, 2011 are as follows:

Inflows

- In comparison to the initial statement of projected cash flows presented to the Court and filed with the Initial Order (the "Churchill Initial Cash Flow Statement"), an unfavorable cash inflow variance of approximately $855K occurred.
- It was anticipated in the Churchill Initial Cash Flow Statement that Churchill would receive sale proceeds from one condominium of $814K, plus receipt of indirect taxes collected of $41K, during the week of September 10, 2011 as a result of a scheduled purchase closing on September 8, 2011; however, these proceeds were not received as forecasted and are currently held in escrow at Churchill Estates' counsel.

Outflows

- In comparison to the Churchill Initial Cash Flow Statement, a favorable cash outflow variance of $80K was experienced.
- Commissions of $41K and legal fees of $1K were budgeted as a result of the anticipated condominium sale. Management expects this to be a permanent variance as the payment was paid to the lender and is currently in trust with legal counsel who is concluding the sale.
- With respect to the budgeted property tax of $18K was paid pre-filing and is a permanent variance.
- Condo fee disbursements of $20K were not paid, resulting in a timing difference.

Inverness

The following is the budget-to-actual cash flow analysis for Inverness for the period September 9, 2011 to September 24, 2011:

Inverness Estates Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on information provided by the Company
(in thousands of CAD)

	For the period September 9, 2011 to September 24, 2011		
	Actual	**Budget**	**Variance**
Cash inflows			
Condo sales proceeds	-	200.0	(200.0)
GST collected	-	10.0	(10.0)
GST ITC refund	-	-	-
Total cash inflows	**-**	**210.0**	**(210.0)**
Intercompany receipts	-	-	-
Total cash inflows and intercompany receipts	**-**	**210.0**	**(210.0)**
Cash outflows			
Commissions	-	10.0	10.0
Advertising	-	-	-
R&M	0.2	-	(0.2)
Property tax	-	-	-
Professional fees	-	1.0	1.0
Insurance	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
Office & admin	-	-	-
Condo fees	-	14.8	14.8
GST remitted	-	-	-
Total cash outflows	**0.2**	**25.8**	**25.6**
Intercompany disbursements	**-**	**-**	**-**
Total cash outflows and intercompany disbursements	**0.2**	**25.8**	**25.6**
Opening cash balance	**(632.2)**	**(632.2)**	**-**
Variation in cash balance	(0.2)	184.2	(184.4)
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**(632.4)**	**(448.0)**	**(184.4)**

Inverness budget-to-actual commentary

The Monitor's comments on Inverness' total cash inflow and outflow variances during the period September 9, 2011 to September 24, 2011 are as follows:

Inflows

- In comparison to the initial statement of projected cash flow presented to the Court and filed with the Initial Order (the "Inverness Initial Cash Flow Statement"), an unfavorable cash inflow variance of approximately $210K was experienced.

- It was forecasted in the Inverness Initial Cash Flow Statement that one condominium unit per month would be sold. For the period noted, there were no sales of condominium units completed.

Outflows

- In comparison to the Inverness Initial Cash Flow Statement, a favorable cash outflow variance of $26K was experienced.

- It was forecasted that commissions of $10K and legal fees of $1K pertaining to the forecasted sale of one condominium unit were to be paid. As a sale of a condominium unit did not occur, it was not necessary for Inverness to issue payments for these expenditures.

- With respect to budgeted condo fees of $15K for the month of September 2011, no payment was issued. It is expected that payment of the pro-rated portion of the condo fees for September and the full amount of condo fees for October will be paid during the week of October 1, 2011.

CP

The following is the budget-to-actual cash flow analysis for CP for the period September 9, 2011 to September 24, 2011:

CP Development Ltd.
Budget to Actual Cash Flow
Unaudited - Based on information provided by the Company
(in thousands of CAD)

	For the period of September 9, 2011 to September 24, 2011		
	Actual	**Budget**	**Variance**
Cash inflows			
Costs reimbursed from escrow	168.5	900.0	(731.5)
GST refund from previous month	-	-	-
Total cash inflows	**168.5**	**900.0**	**(731.5)**
Intercompany receipts	**-**	**-**	**-**
Total cash inflows and intercompany receipts	**168.5**	**900.0**	**(731.5)**
Cash outflows			
Construction costs (1,2&3)	-	900.0	900.0
Construction costs (4&5)	29.5	30.0	0.5
Head lease / Tenant inducements	-	320.0	320.0
Professional fees	-	-	-
Mortgage principal	-	-	-
Mortgage interest	-	-	-
GST paid	1.5	64.0	62.5
Total cash outflows	**31.0**	**1,314.0**	**1,283.0**
Intercompany disbursements	**-**	**-**	**-**
Total cash outflows and intercompany disbursement	**31.0**	**1,314.0**	**1,283.0**
Opening cash balance	**(29.7)**	**(29.7)**	**-**
Variation in cash balance	137.5	(414.0)	551.5
Exchange rate (Gain / Loss)	-	-	-
Ending cash balance	**107.8**	**(443.7)**	**551.5**

CP budget-to-actual commentary

The Monitor's comments on CP's total cash inflow and outflow variances during the period September 9, 2011 to September 24, 2011 are as follows:

Inflows

- In comparison to the initial statement of projected cash flow presented to the Court and filed with the Initial Order (the "CP Initial Cash Flow Statement"), an unfavorable cash inflow variance of approximately $732K was experienced primarily due to timing.

- Costs reimbursed from escrow of $900K were forecasted, but not received, which contributed to a favorable variance; however, pre-filing construction costs (1, 2, and 3) of $169K were received, resulting in the net cash inflow variance of $732K.

Outflows

- In comparison to the CP Initial Cash Flow Statement, a favorable cash outflow variance of $1,283K was experienced.

- It was forecasted that construction costs of $900K, head lease/tenant inducements of $320K, and GST paid of $64K were to be paid. As the majority of these costs were not paid, a favorable variance resulted. This represents a timing variance that will be corrected in future periods.

APPENDIX I

HII amended 13-week cash flow forecast
Updated as of September 24, 2011

Number of weeks:	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	9/9/11														
Beginning period:		9-Sep-11	10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11
Ending period:		10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11
		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows															
REIT distributions		-	753,200	102,900	-	79,000	-	697,764	-	-	-	697,764	-	-	-
REIT unit sale proceeds		-		-	5,000,000	29,500,000	-	-	-	-	-	-	-	-	-
Jamieson sublease receipts		-	-	-	-	1,024,992	-	-	-	-	-	-	-	-	-
GST/HST received		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel related receipts															
Hotel revenue		-	-	-	-	63,606	41,688	41,688	41,688	27,284	27,284	27,284	27,284	25,737	25,737
Hotel construction draw		-	1,456,000	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		-	2,209,200	102,900	5,000,000	30,667,598	41,688	739,452	41,688	27,284	27,284	725,048	27,284	25,737	25,737
Cash outflows															
Commissions		-	-	-	200,000	1,180,000	-	-	-	-	-	-	-	-	-
Payroll		-	2,900	72,700	-	70,000	-	70,000	-	70,000	-	70,000	-	70,000	-
Rent expense		-	-	13,300	-	20,000	-	-	-	20,000	-	-	-	20,000	-
Professional fees		-	430,500	-	-	200,000	200,000	200,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000
Insurance		-	-	-	-	18,000	-	-	18,000	-	-	-	18,000	-	-
Office & admin		-	9,700	22,800	-	35,000	-	-	35,000	-	-	-	35,000	-	-
Director fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-
KERP		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jamieson obligation		-	-	-	-	2,240,836	-	-	-	-	-	-	-	-	-
Canoxy obligation		-	-	-	-	984,759	-	-	-	-	-	-	-	-	-
PEI obligation		-	-	-	-	140,789	-	-	-	96,340	-	-	-	96,340	-
Montreal obligation		-	-	-	-	122,531	-	-	-	70,691	-	-	-	70,691	-
CP obligation		-	-	-	-	155,667	-	-	-	81,000	-	-	-	81,000	-
Corporate bond principal repayment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate bond interest payment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Junior subordinate debt principal repayment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Junior subordinate debt interest payment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
HCSA interest payment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST/HST paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hotel disbursements															
Payroll		-	-	29,300	-	28,178	-	28,178	-	26,180	-	26,180	-	25,737	-
Management fee		-	-	-	-	5,000	-	-	-	5,000	-	-	-	50,000	-
Property and other taxes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance		-	-	-		-	-	-	-	-	-	-	-	-	-
General operating expenses		-	52,100	700	26,883	-	-	-	37,956	-	-	-	31,652	-	-
Construction costs and held cheques		-	1,360,200	116,100	55,600	-	300,000	-	250,000	-	-	-	250,000	-	-
Mortgage principal & interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total hotel disbursements		-	1,412,300	146,100	82,483	33,178	300,000	28,178	287,956	31,180	-	26,180	281,652	75,737	-
Total cash outflows		-	1,855,400	254,900	282,483	5,200,760	500,000	298,178	540,956	519,211	150,000	246,180	484,652	563,768	150,000
Opening cash balance		**(14,805,990)**	**(14,805,990)**	**(14,452,190)**	**(14,604,190)**	**(9,886,673)**	**15,580,165**	**15,121,853**	**15,563,127**	**15,063,859**	**14,571,932**	**14,449,216**	**14,928,084**	**14,470,716**	**13,932,685**
Variation in cash balance		-	353,800	(152,000)	4,717,517	25,466,838	(458,312)	441,274	(499,268)	(491,927)	(122,716)	478,868	(457,368)	(538,031)	(124,263)
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		**(14,805,990)**	**(14,452,190)**	**(14,604,190)**	**(9,886,673)**	**15,580,165**	**15,121,853**	**15,563,127**	**15,063,859**	**14,571,932**	**14,449,216**	**14,928,084**	**14,470,716**	**13,932,685**	**13,808,422**

Amendments to the HII 13-week cash flow statement

The following amendments were made to the initial HII 13-week cash flow statement as included in the Initial Order:

- Canmarc REIT unit sale proceeds – The proceeds from the sale of Canmarc REIT units were not received, thus the amount has been carried forward to Weeks 3 and 4.
- Jamieson sublease receipts – In relation to the Jamieson head lease, receipts are forecasted to be received during the first week of October.
- GST remitted – The amount of GST remitted has been adjusted to reflect the amended cash flow statement.
- Hotel revenue – The amount of hotel revenue has been updated to better reflect an amended forecast provided by management.
- Commissions – As the proceeds from the sale of Canmarc REIT units has not been received, the corresponding commissions were not paid, thus the amount has been carried forward.
- Rent expense – The monthly amount payable in relation to rent expense was decreased to $20K to better reflect the actual amount payable.
- KERP – The amount payable to KERP previously included in Week 7 has been removed since it was already funded pre-filing.
- Jamieson and Canoxy head lease obligation – Both the Jamieson and Canoxy head lease obligations are unsecured and both contracts have been resiliated prior to October 1, 2011. As a result, the amounts for both obligations are not payable past the month of October. Please note that since the amounts were not paid for either the Jamieson or Canoxy head lease obligations in September, the forecasted payment during Week 4 includes the pro-rated amount for September since the date of filing and the full amount for October.
- Montreal , CP and PEI head lease obligation – Montreal, CP and PEI head lease obligations are secured. Payments of the head lease obligations are forecasted to occur during the first week of each month. Please note that since the amounts were not paid for either Montreal, CP or PEI head lease obligations in September, the forecasted payment during Week 4 includes the pro-rated amount for September since the date of filing and the full amount for October.
- Hotel disbursements (including payroll, management fee, general operating expenses line items) – The hotel disbursements noted have been updated to better reflect an amended forecast provided by management.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of HII as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect HII's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in HII's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) HII's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of HII; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning that the assumptions are based on either one or more of the following factors:

- (i) The past performance of HII;
- (ii) The performance of other industry/market participants engaged in similar activities as HII;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on actual bank balances	X	
Exchange rates	All cash flows are in Canadian dollars		X
Forecast cash receipts			
Canmarc REIT distribution	Distributions for 8,813,866 Canmarc REIT units at $0.95/year, paid monthly	X	
Canmarc REIT unit sales proceeds	Sale of 3,000,000 Canmarc REIT units at $11.50	X	
Jamieson headlease receipts	This head lease obligation is related to an agreement between Homburg Invest Inc. and Jamieson. The contract was resiliated with the final amount owing for the month of October 2011.	X	
GST refunded	Based on the previous months taxable disbursements and the applicable tax rates. Payable on the second week of each month.	X	
Hotel receipts	Based on a forecast provided by management based on number of room bookings and expected number of room bookings.		X
Forecast cash disbursements			
Commissions	4% commission on the sale of the Canmarc REIT units	X	
Payroll	Based on previous payroll expenses	X	
Rent expense	Rent at the Akerley Blvd. location	X	
Head lease obligations (Jamieson, Canoxy)	This head lease obligation is related to an agreement between Homburg Invest Inc. and BCIMC, and Homburg Invest Inc. and Cadillac Fairview. The contracts were resiliated with the final amount owing for the month of October 2011.	X	
Head lease obligations (Montreal, PEI)	This lease obligation is related to an agreement between Homburg Invest Inc. and Canmarc REIT for which Homburg Invest Inc. has the obligation to pay a lease to Canmarc REIT associated to the Homburg financial building, CP and CN building. Canmarc REIT units have been pledge relating to this Head Lease.	X	
Professional fees	Deloitte, McCarthy Tétrault, Osler and Ernst & Young (auditors)		X
Insurance	D&O insurance	X	
Office & admin	Bank fees, travel and telephone	X	

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Director fees	Expenses to be incurred post December 10, 2011	X	
KERP	Amount was fully funded prior to filing	X	
Capital tax	Based on previous years' tax		X
Corporate bond principal payment	Amount stayed by proceedings	X	
Corporate bond interest payment	Amount stayed by proceedings	X	
Junior subordinate debt principal payment	Amount stayed by proceedings	X	
Junior subordinate debt interest payment	Amount stayed by proceedings	X	
HCSA interest payment	Amount stayed by proceedings	X	
GST remitted	Based on the taxable receipts of the previous month and applicable tax rates Payable on the second week of each month	X	
<u>Hotel disbursements</u>			
Payroll	Based on previous payroll expenses	X	
Management fee	$5k per month		X
Property and other taxes	Based on previous property and other tax expenses	X	
Insurance	Based on previous insurance expenses	X	
General operating expenses	Based on previous G&A expenses		X
Construction costs	These amounts are payable to trade suppliers who will be required for the completion of the construction of the hotel		X
Mortgage principal & interest	Amount stayed by proceedings	X	

ShareCo amended 13-week cash flow forecast
Updated as of September 24, 2011

Number of weeks:	**13**	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	**9/9/11**														
Beginning period:		**9-Sep-11**	**11-Sep-11**	**18-Sep-11**	**25-Sep-11**	**2-Oct-11**	**9-Oct-11**	**16-Oct-11**	**23-Oct-11**	**30-Oct-11**	**6-Nov-11**	**13-Nov-11**	**20-Nov-11**	**27-Nov-11**	**4-Dec-11**
Ending period:		**10-Sep-11**	**17-Sep-11**	**24-Sep-11**	**1-Oct-11**	**8-Oct-11**	**15-Oct-11**	**22-Oct-11**	**29-Oct-11**	**5-Nov-11**	**12-Nov-11**	**19-Nov-11**	**26-Nov-11**	**3-Dec-11**	**10-Dec-11**
		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows															
Mortgage bond issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash outflows															
Interest payments - mortgage bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash outflows		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening cash balance		**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**
Variation in cash balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**	**3,311**

<u>Amendments to the initial ShareCo 13-week cash flow statement</u>

The following amendments were made to the initial ShareCo 13-week cash flow statement as included in the Initial Order:

- Opening cash balance – As previously discussed in the text to this Second Report, the opening cash balance was adjusted from nil to $3k to reflect the actual cash balance per the bank account rather than the allocated cash balance per the books and records of the Homburg Parties.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT
A statement indicating, on a weekly basis, the projected cash flow of Shareco, as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Shareco's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS
Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Shareco's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS
Meaning assumptions that:

(i) Shareco's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Shareco; and
(ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED
Meaning that the assumptions are based on either one or more of the following factors:

(i) The past performance of Shareco;
(ii) The performance of other industry/market participants engaged in similar activities as Shareco;
(iii) Feasibility studies;
(iv) Marketing studies; or
(v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
General cash flow assumptions	This entity holds four series of asset-backed mortgage bonds. The mortgage bonds are 7-year bonds issued in series and secured by a first or second charge over specific assets and a corporate guarantee. As the debt is entirely affected by the Stay Period, there will not be any cash inflows or outflows in Shareco for the thirteen (13) weeks from September 9 to December 10, 2011.	X	
Opening cash balance	Based on actual bank balances	X	

Churchill amended 13-week cash flow forecast
Updated as of September 24, 2011

Number of weeks	13	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	9/9/11														
Beginning period:		9-Sep-11	11-Sep-11	18-Sep-11	25-Sep-11	2-Oct-11	9-Oct-11	16-Oct-11	23-Oct-11	30-Oct-11	6-Nov-11	13-Nov-11	20-Nov-11	27-Nov-11	4-Dec-11
Ending period:		10-Sep-11	17-Sep-11	24-Sep-11	1-Oct-11	8-Oct-11	15-Oct-11	22-Oct-11	29-Oct-11	5-Nov-11	12-Nov-11	19-Nov-11	26-Nov-11	3-Dec-11	10-Dec-11
		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows															
Condo sales proceeds		-	-	-	-	-	-	-	-		500,000	-	-	-	-
GST collected		-	-	-	-	-	-	-	-	-	25,000	-	-	-	-
GST ITC refund		-	-	-	-	-	-	-	-	-	-	-	-	4,105	-
Total cash inflows		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**525,000**	**-**	**-**	**4,105**	**-**
Cash outflows															
Commissions		-	-	-	-	-	-	-	-	-	25,000	-	-	-	-
Advertising		-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M		-	-	-	-	3,000	-	-	3,000	-	-	-	3,000	-	-
Property tax		-	-	-	-	17,750	-	-	-	17,750	-	-	-	17,500	-
Professional fees		-	-	-	-	1,000	-	-	-	-	1,000	-	-	-	-
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal		-	-	-	-	-	-	-	-	-	474,000	-	-	-	-
Mortgage interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office & admin		-	-	-	-	1,000	-	-	1,000	-	-	-	1,000	-	-
Condo fees		-	-	-	-	34,201	-	-	-	19,300	-	-	-	18,800	-
GST remitted		-	-	-	-	-	-	-	-	-	-	-	-	-	22,535
Total cash outflows		**-**	**-**	**-**	**-**	**56,951**	**-**	**-**	**4,000**	**37,050**	**500,000**	**-**	**4,000**	**36,300**	**22,535**
Opening cash balance		**-**	**-**	**-**	**-**	**-**	**(56,951)**	**(56,951)**	**(56,951)**	**(60,951)**	**(98,001)**	**(73,001)**	**(73,001)**	**(77,001)**	**(109,196)**
Variation in cash balance		-	-	-	-	(56,951)	-	-	(4,000)	(37,050)	25,000	-	(4,000)	(32,195)	(22,535)
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		**-**	**-**	**-**	**-**	**(56,951)**	**(56,951)**	**(56,951)**	**(60,951)**	**(98,001)**	**(73,001)**	**(73,001)**	**(77,001)**	**(109,196)**	**(131,731)**

Amendments to the Churchill 13-week cash flow statement

The following amendments were made to the initial Churchill 13-week cash flow statement as included in the Initial Order:

- Opening cash balance – As previously discussed in the text to this Second Report, the opening cash balance was adjusted from $(648)K to nil to reflect the actual cash balance per the bank account rather than the allocated cash balance per the books and records of the Homburg Parties.
- Mortgage principal – The obligation to re-pay the mortgage principal on any condominium sold has been added to the amended cash flow statement.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of Churchill as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Churchill's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Churchill's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) Churchill's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Churchill; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning the assumptions are based on either one or more of the following factors:

- (i) The past performance of Churchill;
- (ii) The performance of other industry/market participants engaged in similar activities as Churchill;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on actual bank balances	X	
Exchange rates	All cash flows are in Canadian dollars		X
Forecast cash receipts			
Condo sales proceeds	A condominium is projected to be sold in November.		X
GST collected	Based on applicable taxes on forecast condo sales		X
GST ITC refund	Based on the previous months' taxable disbursements and the applicable tax rates. Refund is received six weeks after it is submitted	X	
Forecast cash disbursements			
Commissions	Commissions are based on 5% of the projected sales		X
Advertising	Advertising expenses are based on previous expenses	X	
R&M	Repairs and maintenance expenses are based on previous expenses	X	
Property tax	Property tax is paid on monthly installements	X	
Professional fees	Legal and closing costs for sale of property		X
Insurance	Insurance has been pre-paid for the year	X	
Mortgage principal	The corresponding mortgage principal amount is to be paid upon the sale of any condominium.	X	
Mortgage interest	Amount stayed by proceedings	X	
Office & admin	Sales office on site	X	
Condo fees	Condominium fees based on previous expenses	X	
GST remitted	GST paid on expenses listed in this cash flow	X	

Inverness amended 13-week cash flow forecast
Updated as of September 24, 2011

Number of weeks:	**13**	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	**9/9/11**														
Beginning period:		**9-Sep-11**	**11-Sep-11**	**18-Sep-11**	**25-Sep-11**	**2-Oct-11**	**9-Oct-11**	**16-Oct-11**	**23-Oct-11**	**30-Oct-11**	**6-Nov-11**	**13-Nov-11**	**20-Nov-11**	**27-Nov-11**	**4-Dec-11**
Ending period:		**10-Sep-11**	**17-Sep-11**	**24-Sep-11**	**1-Oct-11**	**8-Oct-11**	**15-Oct-11**	**22-Oct-11**	**29-Oct-11**	**5-Nov-11**	**12-Nov-11**	**19-Nov-11**	**26-Nov-11**	**3-Dec-11**	**10-Dec-11**
		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows															
Condo sales proceeds		-	-	-	150,000	-	-	200,000	-	-	200,000	-	-	-	200,000
GST collected		-	-	-	7,500	-	-	10,000	-	-	10,000	-	-	-	10,000
GST ITC refund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash inflows		**-**	**-**	**-**	**157,500**	**-**	**-**	**210,000**	**-**	**-**	**210,000**	**-**	**-**	**-**	**210,000**
Cash outflows															
Commissions		-	-	-	7,500	-	-	10,000	-	-	10,000	-	-	-	10,000
Advertising		-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M		200	-	-	-	-	-	-	3,000	-	-	-	3,000	-	-
Property tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees		-		-	1,000	-	-	1,000	-	-	1,000	-	-	-	1,000
Insurance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal		-	-	-	141,500	-	-	189,000	-	-	189,000	-	-	-	189,000
Mortgage interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office & admin		-	-	-	-	-	-	-	1,000	-	-	-	1,000	-	-
Condo fees			-	-	-	24,480	-	-	-	14,000	-	-	-	13,600	-
GST remitted		-	-	-	-	-	(50)	-	-	-	(1,424)	-	-	-	8,550
Total cash outflows		**200**	**-**	**-**	**150,000**	**24,480**	**(50)**	**200,000**	**4,000**	**14,000**	**198,576**	**-**	**4,000**	**13,600**	**208,550**
Opening cash balance		**6,358**	**6,158**	**6,158**	**6,158**	**13,658**	**(10,822)**	**(10,772)**	**(772)**	**(4,772)**	**(18,772)**	**(7,348)**	**(7,348)**	**(11,348)**	**(24,948)**
Variation in cash balance		(200)	-	-	7,500	(24,480)	50	10,000	(4,000)	(14,000)	11,424	-	(4,000)	(13,600)	1,450
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		**6,158**	**6,158**	**6,158**	**13,658**	**(10,822)**	**(10,772)**	**(772)**	**(4,772)**	**(18,772)**	**(7,348)**	**(7,348)**	**(11,348)**	**(24,948)**	**(23,498)**

Amendments to the initial Inverness 13-week cash flow statement

The following amendments were made to the initial Inverness 13-week cash flow statement as included in the Initial Order:

- As previously discussed in the text to this Second Report, the opening cash balance was adjusted from $(632)K to $6K to reflect the actual cash balance per the bank account rather than the allocated cash balance per the books and records of the Homburg Parties.
- Condo sales proceeds – The original cash flow statement forecasted the sale of one condominium unit in Week 1; however, the sale did not occur and the sales proceeds have not been carried forward, resulting in a permanent decrease in the forecasted cash inflows of Inverness.
- Commissions – As the sale of one condominium unit did not occur in Week 1, no commissions were paid and the expense has not been carried forward, resulting in a permanent decrease in the forecasted cash outflows.
- Professional fees – As the sale of one condominium unit did not occur in Week 1, no professional fees were paid and the expense has not been carried forward, resulting in a permanent decrease in the forecasted cash outflows.
- Mortgage payable – The original cash flow statement did not include the re-payment of mortgage principal as it was expected to be stayed; however, mortgage principal must be paid, thus it is now reflected in the amended cash flow statement in the same week as forecasted condominium sales resulting in increased forecasted cash outflows.
- Condo fees – Condo fees were not paid for the month of September as expected, thus the pro-rated amount for condo fees in September as of the filing date plus condo fees for the month of October are expected to be paid in October and have been reflected in the amended cash flow statement.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of Inverness as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect Inverness' planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in Inverness' judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) Inverness' cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of Inverness; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning that the assumptions are based on either one or more of the following factors:

- (i) The past performance of Inverness;
- (ii) The performance of other industry/market participants engaged in similar activities as Inverness;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on actual bank balances	X	
Exchange rates	All cash flows are in Canadian dollars		X
Forecast cash receipts			
Condo sales proceeds	Based on management's monthly condo sales report		X
GST collected	Based on applicable taxes on forecast condo sales		X
GST ITC refund	No GST ITC refund forecast for Inverness Estates Development Ltd.	X	
Forecast cash disbursements			
Commissions	Based on 5% commissions on condo sales		X
Advertising	Based on previous advertising expenses	X	
R&M	Based on previous R&M expenses	X	
Property tax	Based on previous property expenses	X	
Professional fees	Legal and closing costs for sale of property		X
Insurance	Insurance has been prepaid	X	
Mortgage principal	The corresponding mortgage principal amount is to be paid upon the sale of any condominium	X	
Mortgage interest	Amount stayed by proceedings	X	
Office & admin	Based on previous office and administrative expenses	X	
Condo fees	Based on previous condominium fees	X	
GST remitted	Based on GST paid on expenses incurred in the period of the cash flow	X	

CP amended 13-week cash flow forecast
Updated as of September 24, 2011

Number of weeks:	**13**	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Start Date:	**9/9/11**														
Beginning period:		**9-Sep-11**	**11-Sep-11**	**18-Sep-11**	**25-Sep-11**	**2-Oct-11**	**9-Oct-11**	**16-Oct-11**	**23-Oct-11**	**30-Oct-11**	**6-Nov-11**	**13-Nov-11**	**20-Nov-11**	**27-Nov-11**	**4-Dec-11**
Ending period:		**10-Sep-11**	**17-Sep-11**	**24-Sep-11**	**1-Oct-11**	**8-Oct-11**	**15-Oct-11**	**22-Oct-11**	**29-Oct-11**	**5-Nov-11**	**12-Nov-11**	**19-Nov-11**	**26-Nov-11**	**3-Dec-11**	**10-Dec-11**
		Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash inflows															
Costs reimbursed from escrow		-	168,500	-	-	-	-	900,000	-	-	-	900,000	-	-	-
GST refund from previous month		-	-	-	-	-	-	-	104,475	-	-	-	46,500	-	-
Total cash inflows		**-**	**168,500**	**-**	**-**	**-**	**-**	**900,000**	**104,475**	**-**	**-**	**900,000**	**46,500**	**-**	**-**
Cash outflow															
Construction costs (1,2&3)		-	-	-	-	-	-	900,000	-	-	-	900,000	-	-	-
Construction costs (4&5)		-	29,509	-	-	-	-	30,000	-	-	-	30,000	-	-	-
Head lease		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage principal		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST paid		-	1,475	-	-	-	-	46,500	-	-	-	46,500	-	-	-
Total cash outflows		**-**	**30,984**	**-**	**-**	**-**	**-**	**976,500**	**-**	**-**	**-**	**976,500**	**-**	**-**	**-**
Opening cash balance		**(29,701)**	**(29,701)**	**107,815**	**107,815**	**107,815**	**107,815**	**107,815**	**31,315**	**135,790**	**135,790**	**135,790**	**59,290**	**105,790**	**105,790**
Variantion in cash balance		-	137,516	-	-	-	-	(76,500)	104,475	-	-	(76,500)	46,500	-	-
Exchange rate		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending cash balance		**(29,701)**	**107,815**	**107,815**	**107,815**	**107,815**	**107,815**	**31,315**	**135,790**	**135,790**	**135,790**	**59,290**	**105,790**	**105,790**	**105,790**

Amendments to the initial CP 13-week cash flow statement

The following amendments were made to the initial CP 13-week cash flow forecast as included in the Initial Order:

- GST refund – CP did not file its tax report with sufficient time to receive its GST refund in the last week of September, thus the amount was revised based on forecasted GST remitted/collected and carried over to the Week 7.
- Head lease – The original cash flow statement forecasted a head lease payment of $320K, which included a provision for tenant inducements to be paid if the space is leased. Management has now included this obligation in the HII cash flow as the liability resides with HII.
- GST paid – The amount of GST paid was amended to reflect of expenditures forecasted to be paid.

NOTES AND REPRESENTATIONS TO THE CASH FLOW STATEMENT

NOTE A – PURPOSE AND WARNINGS

The cash flow projections have been prepared solely for the purpose of the CCAA proceedings. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Since the cash flow projections are based on assumptions regarding future event, actual results will vary from the information presented, and the variations may be material.

NOTE B – DEFINITIONS

(1) CASH FLOW STATEMENT

A statement indicating, on a weekly basis, the projected cash flow of CP as defined in section 2(1) of the Act based on probable and hypothetical assumptions that reflect CP's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS

Meaning assumptions with respect to a set of economic conditions or courses of action which are not necessarily the most probable in the CP's judgment, but are consistent with the purpose of the Cash Flow Statement.

(3) PROBABLE ASSUMPTIONS

Meaning assumptions that:

- (i) CP's cash flow reflects the most probable set of economic conditions and planned courses of action, **Suitably Supported**, that are consistent with the plans of CP; and
- (ii) Provide a reasonable basis for the Cash Flow Statement.

(4) SUITABLY SUPPORTED

Meaning assumptions are based on either one or more of the following factors:

- (i) The past performance of CP;
- (ii) The performance of other industry/market participants engaged in similar activities as CP;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on current bank balances	X	
Exchange rates	All cash flows are in Canadian dollars		X
Forecast cash receipts			
Costs reimbursed from escrow	Funds in escrow received from Canmarc REIT following the sale of three of the CP Development Ltd. properties. The funds are released from the escrow account once the construction costs have been paid.		X
GST refund from previous month	Based on applicable taxes on forecast expenses		X
Forecast cash disbursements			
Construction costs (1, 2 & 3)	Projected construction cost provided by Cuthbert & Smith (consulting)		X
Construction costs (4 & 5)	Carrying costs for properties 4 & 5 for which construction has been halted (insurance, taxes and maintenance)		X
Professional fees	No professional fees as per management's assumptions	X	
Mortgage principal	Amount stayed by proceedings	X	
Mortgage interest	Amount stayed by proceedings	X	
GST paid	Based on current months' construction costs and head lease payments	X	

APPENDIX J

Summary of Mortgage Bonds, Corporate Bonds and Junior Subordinated Bonds

Mortgage Bonds

local currency millions, unless noted

Bond series	Maturity	Interest rate	Balance (Mar 2011) EUR €	Balance (Mar 2011) C$
HMB4	Nov 2011	7.50%	20.0	28.1
HMB5	Dec 2011	7.50%	20.0	28.1
HMB6	Jun 2012	7.50%	31.2	43.9
HMB7	Jun 2012	7.25%	31.2	43.9
Total			**102.5**	**144.0**

Source: June 30, 2011 consolidated interim financial statements

Mortgage Bonds	Security provided
Mortgage Bond 4	H52
Mortgage Bond 5	H53 and H94 and units of H68, H69 and H70
Mortgage Bond 6	H61 and units of H71, H72, H73, H74, H76, H84, H85, H98 and H120
Mortgage Bond 7	H62, H67 and H88

Corporate Bonds

local currency millions, unless noted

Bonds series	Maturity	Interest rate	Balance (Mar 2011) EUR €	Balance (Mar 2011) C$
HB8	May 2013	7.00%	50.0	70.3
HB9	Oct 2013	7.00%	60.0	84.3
HB10	Feb 2014	7.25%	100.0	140.5
HB11	Jan 2015	7.25%	100.0	140.5
Total			**310.0**	**435.6**

Source: June 30, 2011 consolidated interim financial statements

Junior Subordinated Notes

local currency millions, unless noted

	Maturity	local	CDN$
EUR notes	2036	25.0	35.1
USD notes	2036	20.0	19.5
Total		**45.0**	**54.7**

Source: June 30, 2011 consolidated interim financial statements

Note: Require interest only payments until maturity in 2036 and carry a fixed interest rate until 2016 and variable thereafter